United States Department of State

*Bureau for International Narcotics and Law Enforcement Affairs*

# Money Laundering and Financial Crimes Country Database

June 2013

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# Money Laundering/Financial Crimes Countries

# *Countries and Jurisdictions Table*

## Countries/Jurisdictions of Primary Concern

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

## Countries/Jurisdictions of Concern

| | |
|---|---|
| Albania | Marshall Islands |
| Algeria | Moldova |
| Angola | Monaco |
| Aruba | Mongolia |
| Azerbaijan | Montenegro |
| Bahrain | Morocco |
| Bangladesh | Nicaragua |
| Barbados | Peru |
| Belarus | Poland |
| Belgium | Portugal |
| Bosnia and Herzegovina | Qatar |
| Bulgaria | Romania |
| Chile | Saudi Arabia |
| Comoros | Senegal |
| Cook Islands | Serbia |
| Cote d'Ivoire | Seychelles |
| Czech Republic | Sierra Leone |
| Djibouti | Slovak Republic |
| Ecuador | South Africa |
| Egypt | St. Kitts and Nevis |
| El Salvador | St. Lucia |
| Ghana | St. Vincent |
| Gibraltar | Suriname |
| Grenada | Syria |
| Guyana | Tanzania |
| Holy See | Trinidad and Tobago |
| Honduras | Turks and Caicos |
| Hungary | Vanuatu |
| Ireland | Vietnam |
| Jamaica | Yemen |
| Jordan | |
| Kazakhstan | |
| Korea, North | |
| Korea, South | |
| Kosovo | |
| Kuwait | |
| Laos | |
| Malaysia | |

## Other Countries/Jurisdictions Monitored

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

## *Comparative Table Key*

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2012, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of the fifth item, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template.

## *Glossary of Terms*

- "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- "Criminalized Beyond Drugs": The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than those related to the drug trade.
- "Know Your Customer Provisions": By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/Customer Due Diligence programs for their customers or clientele.
- "Report Large Transactions": By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities.
- "Report Suspicious Transactions": By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "Y" signifies mandatory reporting; "P" signifies reporting is not required but rather is permissible or optional; "N" signifies no reporting regime.
- "Maintain Records over Time": By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- "Disclosure Protection - 'Safe Harbor'": By law, the jurisdiction provides a "safe harbor" defense against civil and criminal liability to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- "Criminalize 'Tipping Off'": By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense
- "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (*) reflects those jurisdictions that are not members of the Egmont Group of FIUs.

- "Cross-Border Transportation of Currency": By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction's borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- "International Law Enforcement Cooperation": Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request. No known legal impediments to cooperation exist in current law.
- "System for Identifying and Forfeiting Assets": The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- "Arrangements for Asset Sharing": By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- "Criminalized the Financing of Terrorism": The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373.
- "Report Suspected Terrorist Financing": By law or regulation, banks and/or other covered entities are required to record and report to designated authorities transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities.
- "Able to Freeze Terrorist Assets w/o Delay": The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- "States Party to 1988 UN Drug Convention": States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- "States Party to the UN International Convention for the Suppression of the Financing of Terrorism": States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- "States Party to the UN Convention against Transnational Organized Crime": States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- "States Party to the UN Convention against Corruption": States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- "US or International Sanctions/Penalties": The U.S., another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country's inclusion in the FATF's International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommends countermeasures against the country/jurisdiction.

# *Comparative Table*

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

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Afghanistan** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Albania** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Algeria** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Andorra** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Angola** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y* | N | N | N | N | N | N | Y | Y | Y | Y | N |
| **Anguilla**[1] | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | N |
| **Antigua and Barbuda** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Argentina** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | N | N | Y | N | N | Y | Y | Y | Y | N |
| **Armenia** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Aruba**[2] | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Australia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |

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

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

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Austria** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Azerbaijan** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Bahamas** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Bahrain** | Y | Y | Y | N | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Bangladesh** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | N | Y | N |
| **Barbados** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Belarus** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y |
| **Belgium** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Belize** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Benin** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | Y | Y | Y | Y | Y | Y | N |
| **Bermuda[1]** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | N |
| **Bolivia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Bosnia & Herzegovina** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Botswana** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | N | N | N | Y | Y | Y | Y | N |
| **Brazil** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N | Y | Y | Y | Y | N |
| **British Virgin Islands[1]** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Brunei** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | N | Y | Y | Y | Y | Y | N |
| **Bulgaria** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Burkina Faso** | Y | Y | Y | Y | Y | Y | Y | Y | N | Y* | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Burma** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | N | N | Y | Y | Y | Y | Y |
| **Burundi** | Y | Y | Y | Y | Y | Y | N | N | N | Y* | Y | Y | N | Y | Y | N | Y | N | Y | Y | N |
| **Cambodia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Cameroon** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Canada** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Cape Verde** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y* | Y | Y | N | N | N | N | Y | Y | Y | Y | N |
| **Cayman Islands[1]** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N | N |
| **Central African Rep.** | Y | Y | Y | N | Y | Y | Y | Y | N | N | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Chad** | Y | Y | Y | N | Y | Y | Y | Y | N | Y* | Y | N | N | Y | Y | Y | Y | Y | Y | N | N |
| **Chile** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **China** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | N | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Colombia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Comoros** | Y | Y | N | N | N | N | Y | Y | Y | Y* | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Congo, Dem Rep. of** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | N | N | Y |
| **Congo, Rep. of** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | Y | Y | Y | Y | Y | N | Y | N |
| **Cook Islands** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Costa Rica** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Cote d'Ivoire** | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Croatia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Cuba** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | N | Y | N | Y | Y | Y | Y | Y | Y | Y | Y |
| **Curacao[2]** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N |
| **Cyprus[3]** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| [3] **Area administered by Turkish Cypriots** | Y | Y | Y | Y | Y | Y | N | N | Y | Y | N | Y | N | Y | Y | Y | N/A | N/A | N/A | N/A | N |

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Czech Republic** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N |
| **Denmark** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Djibouti** | Y | Y | Y | N | Y | Y | Y | Y | N | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Dominica** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | N | Y | N |
| **Dominican Republic** | Y | Y | Y | Y | Y | Y | N | N | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Ecuador** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Egypt** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| **El Salvador** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | N |
| **Equatorial Guinea** | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | Y | N | Y | Y | Y | N | Y | Y | N | N |
| **Eritrea** | N | N | N | Y | Y | Y | N | N | Y | Y* | N | N | N | N | N | N | Y | N | N | N | Y |
| **Estonia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Ethiopia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Fiji** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | N | Y | N |
| **Finland** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **France** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Gabon** | Y | Y | Y | Y | Y | Y | N | N | N | Y | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Gambia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | N | Y | N | N |
| **Georgia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Germany** | Y | Y | Y | N | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Ghana** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Gibraltar[1]** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | Y | N | N |
| **Greece** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Grenada** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | N | N |
| **Guatemala** | Y | Y | Y | Y | Y | Y | N | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Guernsey[1]** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N |
| **Guinea** | Y | Y | Y | N | Y | Y | Y | Y | N | N | Y | N | N | N | N | N | Y | Y | Y | N | N |
| **Guinea-Bissau** | Y | Y | Y | Y | Y | Y | Y | N | N | N | N | Y | Y | Y | N | Y | Y | Y | Y | Y | Y |
| **Guyana** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Haiti** | Y | Y | Y | Y | Y | Y | Y | Y | N | Y* | Y | Y | Y | N | N | N | Y | Y | Y | Y | N |
| **Holy See** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Honduras** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Hong Kong[4]** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Hungary** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Iceland** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **India** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Indonesia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Iran** | Y | Y | Y | N | Y | Y | N | N | N | Y* | N | N | N | N | N | N | Y | N | N | Y | Y |
| **Iraq** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | N | Y | Y | N |
| **Ireland** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Isle of Man[1]** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Israel** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Italy** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |

[4] **The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.**

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Jamaica** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Japan** | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | N | N | N |
| **Jersey** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N |
| **Jordan** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Kazakhstan** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Kenya** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | Y | N | N | N | Y | Y | Y | Y | N |
| **Korea, North** | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N | N/A | N/A | N/A | N/A | N/A | Y | N | N | N | Y |
| **Korea, South** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N |
| **Kosovo** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | N | N | N | N | N |
| **Kuwait** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | N | N | N | Y | N | Y | Y | N |
| **Kyrgyz Republic** | Y | Y | Y | Y | Y | Y | N | N | Y | Y | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Laos** | Y | Y | N | N | Y | Y | N | N | Y | Y* | Y | N | N | N | N | N | Y | Y | Y | Y | N |
| **Latvia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Lebanon** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | N |
| **Lesotho** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Liberia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | N | N | N | N | Y | Y | Y | Y | N |
| **Libya** | Y | Y | Y | N | Y | Y | N | N | N | Y* | N | N | N | N | N | N | Y | Y | Y | Y | Y |
| **Liechtenstein** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Lithuania** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Luxembourg** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Macau[4]** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Macedonia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Madagascar** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | N | N | Y | Y | Y | Y | N |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Malawi** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Malaysia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Maldives** | Y | N | Y | Y | Y | N | Y | N | N | Y* | Y | Y | N | Y | Y | N | Y | Y | N | Y | N |
| **Mali** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Malta** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Marshall Islands** | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Mauritania** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Mauritius** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Mexico** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N |
| **Micronesia, FS** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | N | Y | Y | Y | Y | Y | N |
| **Moldova** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Monaco** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | N | N |
| **Mongolia** | Y | Y | Y | Y | Y | Y | N | N | Y | Y | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Montenegro** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Montserrat[1]** | Y | Y | Y | N | Y | Y | Y | Y | N | Y* | Y | Y | Y | Y | Y | Y | Y | N | N | N | N |
| **Morocco** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Mozambique** | Y | Y | Y | N | Y | Y | N | N | Y | Y* | Y | Y | N | N | N | N | Y | Y | Y | Y | N |
| **Namibia** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | N | N | N | N | Y | N | Y | Y | N |
| **Nauru** | Y | N | Y | Y | Y | Y | Y | Y | Y | Y* | N | Y | N | Y | Y | Y | N | Y | Y | Y | N |
| **Nepal** | Y | Y | Y | Y | Y | N | N | Y | Y | Y* | N | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Netherlands** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **New Zealand** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Nicaragua** | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N |
| **Niger** | Y | Y | Y | N | Y | Y | N | Y | Y | Y* | N | Y | N | Y | Y | N | Y | Y | Y | Y | N |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Nigeria** | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Niue** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | N | N |
| **Norway** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Oman** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | N | N |
| **Pakistan** | Y | Y | Y | N | Y | Y | Y | Y | N | Y* | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Palau** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | Y | Y | Y | N | Y | N | Y | N |
| **Panama** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Papua New Guinea** | Y | Y | Y | Y | Y | Y | Y | Y | N | Y* | Y | Y | N | N | N | N | N | Y | N | Y | N |
| **Paraguay** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Peru** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N |
| **Philippines** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Poland** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Portugal** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Qatar** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Romania** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Russia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Rwanda** | Y | Y | Y | Y | Y | Y | N | N | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **St. Kitts and Nevis** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **St. Lucia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N | N |
| **St. Maarten** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N |
| **St. Vincent and the Grenadines** | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Samoa** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | N | N |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **San Marino** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Sao Tome And Principe** | Y | Y | N | N | Y | N | N | Y | N | Y* | N | N | N | N | Y | N | Y | Y | Y | Y | N |
| **Saudi Arabia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Senegal** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Serbia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N |
| **Seychelles** | Y | Y | N | N | Y | Y | Y | Y | N | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Sierra Leone** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | N | N | N | Y | Y | N | Y | N |
| **Singapore** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Slovak Republic** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Slovenia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Solomon Islands** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | N | Y | N | Y | N |
| **Somalia** | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | Y |
| **South Africa** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **South Sudan** | Y | Y | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N | N |
| **Spain** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Sri Lanka** | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Sudan** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | N | Y |
| **Suriname** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | N | Y | N | N |
| **Swaziland** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Sweden** | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Switzerland** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Syria** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N | Y | Y | N | Y | Y | Y | N | Y |

| Actions by Governments | Criminalized Drug Money Laundering | Criminalized ML Beyond Drugs | Know-Your-Customer Provisions | Report Large Transactions | Report Suspicious Transactions (YPN) | Maintain Records Over Time | Disclosure Protection - "Safe Harbor" | Criminalize "Tipping Off" | Cross-Border Transportation of Currency | Financial Intelligence Unit (*) | Intl Law Enforcement Cooperation | System for Identifying/Forfeiting Assets | Arrangements for Asset Sharing | Criminalized Financing of Terrorism | Report Suspected Terrorist Financing | Able to Freeze Terrorist Assets w/o Delay | States Party to 1988 UN Drug Convention | States Party to Intl. Terror Finance Conv. | States Party to UNTOC | States Party to UNCAC | US or Intl Org Sanctions/Penalties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Govt/Jurisdiction** | | | | | | | | | | | | | | | | | | | | | |
| **Taiwan** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | N | N | N |
| **Tajikistan** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Tanzania** | Y | Y | Y | N | Y | Y | Y | Y | N | Y* | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Thailand** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | N |
| **Timor-Leste** | Y | Y | Y | N | Y | Y | N | Y | Y | Y* | Y | Y | N | Y | Y | Y | N | N | Y | Y | N |
| **Togo** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Tonga** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | N | N | N |
| **Trinidad and Tobago** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Tunisia** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Turkey** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N | Y | Y | Y | Y | N |
| **Turkmenistan** | Y | Y | Y | Y | Y | Y | N | Y | Y | Y* | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Turks and Caicos[1]** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N | N | N |
| **Uganda** | N | N | Y | Y | Y | Y | N | N | N | N | Y | N | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Ukraine** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **UAE** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **United Kingdom** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N |
| **Uruguay** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Uzbekistan** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y | Y | Y | Y | Y | N |
| **Vanuatu** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | N |
| **Venezuela** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | N | Y | N | Y | Y | Y | Y | N |
| **Vietnam** | Y | Y | Y | Y | Y | Y | Y | N | Y | Y* | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Yemen** | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y* | Y | N | N | Y | Y | N | Y | Y | Y | Y | N |
| **Zambia** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | N |
| **Zimbabwe** | Y | Y | Y | N | Y | Y | Y | Y | Y | Y* | Y | Y | Y | Y | Y | Y | Y | N | Y | Y | Y |

# All Money Laundering and Financial Crimes Countries/Jurisdictions

## Afghanistan

Afghanistan is not a regional or offshore center. Terrorist and insurgent financing, money laundering, cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major narcotics trafficking and producing country, and is the world's largest opium producer and exporter. The narcotics trade, corruption and contract fraud are major sources of illicit revenue and laundered funds. Corruption permeates all levels of Afghan government and society and the country rates very poorly on various indices.

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. The corrupt government and weaknesses in the banking sector incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The unlicensed and unregulated hawaladars in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system. Afghan business consortiums that control both hawaladars and banks allow criminal elements within these consortiums to manipulate domestic and international financial networks to send, receive, and launder illicitly-derived monies or funds intended for criminal, insurgent, or terrorist activities. The rapid depreciation of the Iranian rial in October 2012 led to increased demand for U.S. dollars in Iran and a reported increase in cash smuggling from Afghanistan to Iran.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 684 in 2012
***Number of CTRs received and time frame:*** 1,921,129 in 2012
***STR covered entities:*** Banks, MSBs, hawaladars, insurance companies and securities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 22 in 2012
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Afghanistan (GOA) has no formal extradition or mutual legal assistance arrangements with the United States. Requests for extradition and mutual legal assistance are processed on an ad hoc basis, with assistance from the Afghan Attorney General's Office. The government should adopt the drafted extradition-related legislation which is pending in Afghan parliament.

Using Presidential executive orders the GOA has frozen bank accounts owned by hawala networks listed under UNSCR 1988. There are no instances of seized bank accounts, and there is no mechanism for asset sharing. The GOA should increase the capacity of enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets.

Corruption and insufficient political will affect Afghanistan's ability to regulate institutions and enforce relevant legislation. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Dealers in precious metals and stones, lawyers, accountants, and real estate agents are not supervised in Afghanistan. Insurance companies and securities dealers are technically under the regulatory regime and are required to file STRs, but there is no compliance or enforcement. The government should move to ensure these sectors are regulated and comply with anti-money laundering/combating the financing of terrorism (AML/CFT) regulations.

Less than 5% of the Afghan population uses banks, depending instead on the entrenched hawala system, which provides a range of financial and non-financial business services in local,

regional, and international markets. Approximately 90% of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, micro and trade finance, as well as some deposit-taking activities. There is not a clear division between the hawala system and formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit (FIU) reports that no MSBs or hawaladars have ever submitted STRs.

The GOA should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections, and expand implementation of the MSB/hawala licensing program. The GOA also should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers, and includes a VIP lane that does not require subjects to undergo any inspections or controls. The GOA should strengthen inspection controls for airport passengers.

Afghanistan's Central Bank reported that approximately $4.6 billion in cash left Afghanistan via Kabul International Airport in 2011, exceeding Afghanistan's official revenue of about $2 billion. Tracking cash movements across borders or through airports has become increasingly difficult with implementation of an executive order that makes it illegal to take more than $20,000 out of the country, but eliminates the need to report outbound currency.

Afghanistan's laws related to terrorist financing are not in line with international standards and do not criminalize all elements of the terrorist financing offense. Afghanistan has taken steps towards improving its AML/CFT regime, including by establishing high level AML/CFT coordination mechanisms. However, certain strategic AML/CFT deficiencies remain. Afghanistan should continue to work to adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for identifying, tracing and freezing terrorist assets; implement an adequate AML/CFT supervisory and oversight program for all financial sectors; establish and implement adequate procedures for the confiscation of assets related to money laundering; establish a fully operational and effectively functioning FIU; and establish and implement effective controls for cross-border cash transactions.

## Albania

Albania is not an important regional financial or offshore center; however, the country remains at significant risk for money laundering due to rampant corruption and weak legal and government institutions. Albania also has a large cash economy and significant money flows from abroad in the form of remittances.

Albania has a significant black market for certain smuggled goods, mainly tobacco, jewelry, stolen cars, and mobile phones, due to its high level of consumer imports and weak customs controls. Albania is a transit country for Afghan heroin smuggled to Western Europe and serves as a key gateway for heroin distribution throughout Europe. Local production of marijuana is also on the rise for domestic and European use. Albania serves as a base of operations for regional organized crime organizations as illicit proceeds are easily laundered, with real estate and business development projects being the most popular methods.

Terrorist financing remains a threat in Albania, as during the last decade government officials have taken action in several cases involving individuals and non-profit organizations suspected of financing terrorist activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** YES
***KYC covered entities:*** Banks; agricultural credit institutions; life insurance companies; money exchangers; accountants, notaries, and lawyers; gaming centers and casinos; auto dealers; postal services; securities dealers; real estate agents; and travel agencies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 403: January 1 to November 30, 2012
***Number of CTRs received and time frame:*** 1,309,923: January 1 to November 30, 2012
***STR covered entities:*** Commercial banks; non-banking financial institutions; foreign exchange offices; savings/credit companies and their unions; postal services that perform payment services; issuers or managers of debit and credit cards, checks, traveler's checks, payment orders, electronic money, or other similar instruments; stock markets and securities agents and brokers; life insurance or re-insurance companies, agents or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property and property transfer agents; games of chance, casinos and race tracks of any form; lawyers, notaries and other legal representatives; real estate agents and appraisers; accountants and financial consultants; and the Agency of Legalization, Urbanization and the Integration of Informal Constructions/Zones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 4: January 1 to September 30, 2012
***Convictions:*** 7: January 1 to November 30, 2012

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

Albania 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Despite passing criminal code reforms in 2012, the Government of Albania's (GOA) implementation efforts are lacking, as evidenced by the low number of successful prosecutions and convictions. Few steps have been taken to combat government corruption, especially in the judiciary where it plays a major role in the inability of the government to successfully prosecute criminal activity. Although the Parliament lifted official and judicial immunities in September 2012, subsequent amendments to implement these changes have not yet been adopted. Action should be taken to effect these changes.

The Bank of Albania has established a task force to confirm banks' compliance with customer verification rules although enforcement remains poor in practice. Additionally, the GOA should provide for enhanced due diligence for foreign politically exposed persons (PEPs). There are an increasing number of STRs coming from banks as that sector matures. While Albania provides currency declaration forms at border crossing points, customs controls on cross-border transactions lack effectiveness due to a lack of resources, poor training and corruption of customs officials.

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

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

jurisdiction over corruption, money laundering, and other types of economic crime. The GOA should continue to develop the effectiveness of these units.

Despite efforts to improve Albania's capacity to deal with financial crimes and money laundering, the GOA's AML/CFT regime is plagued by numerous technical deficiencies. The GOA should take steps to address these deficiencies and work to deter corruption.

## Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations, a large segment of the economy that is cash-based, and an antiquated banking sector dominated by public banks. The restricted convertibility of the Algerian dinar enables the 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 and stolen vehicles; kidnapping for ransom (KFR); theft; extortion; and embezzlement. Public corruption remains a serious concern as does terrorism. Algerian authorities are increasingly concerned by 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 in general. Al-Qaida in the Islamic Maghreb, which originated in Algeria, is currently confined to outlying areas but has a history of terrorist activity in Algiers and elsewhere in the country, including suicide attacks, KFR, roadside bomb attacks, and assassinations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,373 in 2012
***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks, financial leasing institutions, and investment and shareholding companies; real estate agents; car dealers; and other financial professionals who advise or carry out transactions, such as deposits, exchanges, or other movements of capital

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Algeria 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 can be found here:
http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Republic_of_Algeria.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the Government of Algeria (GOA) implemented a package of policies intended to diminish the informal sector, motivate Algerian business people to formalize their activities, and generate revenue for the central government. A new law enacted in February 2012 extends the scope of KYC obligations to all financial institutions and expands the list of professionals who must report suspicious activity to include real estate agents, car dealers, and financial professionals who advise or carry out transactions, such as deposits, exchanges, and other movement of capital. The law also gives the GOA the authority to freeze and/or seize assets belonging to or destined for terrorists or a terrorist organization for a renewable one-month period. However, the administrative processes associated with this new authority remain unclear, while the corresponding judiciary processes appear not to conform to international standards. The GOA should move forward with the implementation of these laws, issue implementing regulations where required, and continue to work to address the remaining deficiencies in its anti-money laundering/counter-terrorist financing regime.

Specifically, the GOA should take significant legislative action to criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act, and to establish a formal legal framework to implement the targeted financial sanctions included in UNSCRs 1267 and 1373. According to the director of the Algerian Financial Intelligence Cell (CTRF), the financial intelligence unit, the GOA is in the process of developing legislation that would criminalize terrorist finance even where unconnected to a terrorist act. This legislation was delayed by the Algerian President's medical crisis.

The CTRF should be the focal point for receiving and analyzing suspicious activity reports, and for the exchange of information regarding suspicious transactions related to money laundering/terrorist financing activity. This will require the CTRF to develop in-house analytical and information technology capabilities. The CTRF should continue outreach to the formal and

informal financial sectors. In addition, given the scope of Algeria's informal economy, new efforts should be made to identify value transfer mechanisms not covered by Algeria's 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 to finance terrorism and other illicit activities.

## Andorra

Although the Principality of Andorra is not a regional financial center, it does have a well developed financial infrastructure. The Andorran banking system, comprised of five banking groups, is considered to be the most important part of the country's financial sector.

The non-financial crime rate is low in Andorra with few instances of drug-related offenses or other serious crimes.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; leasing and factoring firms; asset, mutual fund and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies; lawyers, notaries, accountants and tax advisors; dealers of precious metals and stones; real estate agents; and bingo establishments

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 25 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; leasing and factoring firms; asset, mutual fund and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2 in 2012
***Convictions:*** 1 in 2012

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

Andorra 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Andorra_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In recent years Andorra has made continued progress in its efforts against money laundering as banking secrecy has been softened. Although the country has made significant improvements, both by updating legislation and signing international agreements, the Government of Andorra (GOA) should continue to loosen its bank secrecy laws and make its banking system more transparent.

The Andorran Financial Intelligence Unit (UIF) is an independent body established to foster and coordinate measures to prevent money laundering and terrorist financing. The UIF has seen its work and resources increase as the GOA has increased its efforts to thwart those activities.

Andorra has 13 tax information exchange agreements in place. Andorra has signed a double taxation agreement with France, which is pending ratification, and is working toward signing additional agreements with other countries.

In furtherance of its fight against organized crime, in 2012 Andorra signed a bilateral agreement with the United States regarding the sharing of confiscated proceeds and instrumentalities of crimes and preventing criminal organizations from benefiting from the proceeds of their crimes. In 2012 Andorra also signed an arrangement with the U.S. government for cooperation in the exchange of information related to money laundering and terrorist financing.

The GOA should consider the adoption of a large currency transaction reporting system. Andorra should become a party to the UN Convention against Corruption.

## Angola

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Financial and credit institutions, financial groups, insurers, stock markets, casinos, lotteries, dealers in precious stones and metals, high value goods merchants, currency exchange agencies, paycheck issuers and managers, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors and other independent professionals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 12: January 1 – August 31, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Credit institutions, financial groups, insurers, pension fund managers, casinos, lotteries, dealers in precious stones and metals, high value goods merchants, currency exchange agencies, paycheck issuers and managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent professionals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

In August 2012, Angola became a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Angola has not yet had a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2010, Angola developed an anti-money laundering/counter-terrorist financing (AML/CFT) action plan and made a political commitment to address noted AML/CFT deficiencies. In December 2011, the Angolan National Assembly revoked the 2010 AML/CFT law and adopted a new law more in line with international standards. Angola is in the process of further amending

its AML/CFT law to criminalize additional predicate offenses currently not included and to allow for search and seizure of assets related to terrorist activities.

Angola's financial intelligence unit (FIU) has focused on educating reporting entities, primarily financial institutions regulated by the Central Bank, on AML/CFT reporting requirements. The FIU started receiving suspicious transaction reports (STRs) in May 2011, but only a few of Angola's 22 banks are reporting. The FIU has developed an information technology platform to allow for electronic filing of STRs. In 2012, Angola signed memoranda of understanding to share information related to financial crimes, money laundering and terrorist financing with Namibia and Portugal.

Angola's capacity and expertise to investigate financial crimes is limited. Corruption is endemic and pervades all facets of commerce and government. Angolan politically exposed persons (PEPs) residing outside of the country are subject to due diligence requirements. Angola is ranked 157 out of 176 countries surveyed in Transparency International's 2012 International Corruption Perception Index.

Angola should continue to work on implementing its action plan to address remaining deficiencies, including by: adequately criminalizing money laundering and terrorist financing; ensuring a fully operational and effectively functioning FIU; and establishing and implementing an adequate legal framework to identify and freeze terrorist assets without delay.

## Anguilla

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

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

The Eastern Caribbean Central Bank (ECCB) is Anguilla's monetary authority. Anguilla's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. There is little evidence the common use of the EC dollar significantly raises the risk for money laundering.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 43 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, and real estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 12 in 2012
***Convictions:*** 2 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Anguilla is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=356&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While Anguilla prohibits anonymous accounts, it continues to seek offshore financial business, offering business and tax structures and company formation which allow some degree of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors. Once incorporated, an IBC is capable of holding assets and operating bank accounts, both on Anguilla and in other jurisdictions. There are cases where IBCs are used as "flow through" accounts, facilitating the mingling of monies,

confusing money trails and generally assisting the layering process in money laundering; there has been only one instance where the money from suspected IBC abuse remained in Anguilla. IBC abuse remains responsible for a significant proportion of suspicious activity reports.

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

Anguilla is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Anguilla's international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 Drug Convention was extended to Anguilla in 1995. In April 2011, Anguilla's Executive Council agreed in principle to extend the UN Convention against Corruption to Anguilla and requested a legislative analysis to ascertain the changes necessary to implement the Convention. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to Anguilla.

## Antigua and Barbuda

Antigua and Barbuda is a significant offshore center that, despite recent improvements, remains susceptible to money laundering due to its offshore financial sector and Internet gaming industry. Illicit proceeds from the transhipment of narcotics and from financial crimes occurring in the United States are laundered in Antigua and Barbuda. During the past year, the Office of National Drug Control and Money Laundering Policy (ONDCP) compiled evidence that money laundering related to drug trafficking takes place through local financial institutions. The ONDCP's analysis shows both that criminals abuse the system and financial institutions, in some instances, fail to apply sufficiently rigorous due diligence in relation to transactions that should be seen as questionable. The funds involved include Eastern Caribbean dollars traced to the sale of local property by at least one person U.S authorities identified as trafficking drugs through Antigua and Barbuda to U.S. territory. Funds also include significant quantities of U.S. currency found in bank safety deposit boxes.

Domestic casinos are required to incorporate as domestic corporations. Internet gaming companies are required to incorporate as international business corporations (IBCs), and as such are required to have a physical presence. Internet gaming sites are considered to have a physical presence when the primary servers and the key person are resident in Antigua and Barbuda. The Government of Antigua and Barbuda (GOAB) receives approximately $2,800,000 per year from license fees and other charges related to the Internet gaming industry. A nominal free trade zone in the country seeks to attract investment in areas the GOAB deems priority. Casinos and sports book-wagering operations in Antigua and Barbuda's free trade zone are supervised by the ONDCP and the Directorate of Offshore Gaming.

Bearer shares are permitted for international companies. However, the license application requires disclosure of the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders and number of shares they will hold. Registered agents or service providers are required by law to know the names of

beneficial owners. Failure to provide information or giving false information is punishable by a fine of $50,000. 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.

Currently, the Eastern Caribbean Central Bank (ECCB) supervises Antigua and Barbuda's domestic banking sector, along with the domestic sectors of seven other Caribbean jurisdictions.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 102: January 1 – November 7, 2012
***Number of CTRs received and time frame:*** 591: January 1 – November 7, 2012
***STR covered entities:*** Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2012
***Convictions:*** 3 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Antigua and Barbuda is a member of Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=355&Itemid=418&lang=en

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS**

The Money Laundering Prevention Act of 1996 (MLPA), as amended, covers banks, offshore banks, IBCs, money transmitters, credit unions, building societies, trust businesses, casinos, Internet gaming companies, and sports betting companies. Intermediaries such as lawyers and accountants are not included in the MLPA.

The Banking (Amendment) Act 2012 requires the ECCB to approve the appointment of bank directors, senior management and significant shareholders. The Financial Services Regulatory Commission is responsible for the regulation and supervision of all institutions licensed under the International Business Corporations Act of 1982, including offshore banks and all aspects of offshore gaming. This includes issuing licenses for IBCs, maintaining the register of all corporations, and conducting examinations and reviews of offshore financial institutions as well as some domestic financial entities, such as insurance companies and trusts.

The GOAB adopted regulations for the licensing of interactive gaming and wagering entities to address possible money laundering through client accounts of Internet gaming operations. Internet gaming companies are required by the Interactive Gaming and Interactive Wagering Regulations to report to the ONDCP all payouts over $25,000. The Interactive Gaming and Interactive Wagering (Amendment) Regulations 2012 removes the provision that previously allowed the duplicate reporting of STRs to authorities other than the ONDCP. Internet gaming companies are required to submit quarterly and annual audited financial statements, enforce KYC verification procedures, and maintain records relating to all gaming and financial transactions of each customer for six years.

The GOAB should continue to work on strengthening all provisions of its AML/CFT legislation and enforcement.

## Argentina

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

Argentina has a long history of capital flight and tax evasion. Traditionally, Argentina is an economy with strong links to U.S. currency. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against the high levels of inflation and peso devaluation that commonly occur in the Argentine economy. Approximately 30% of the labor market is informal, and it is estimated that Argentines hold billions of U.S. dollars outside the formal financial system, both offshore and in country, much of it legitimately earned money that was not taxed. The general vulnerabilities in the system also expose Argentina to a risk of terrorist financing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption; there has been an increase in domestic drug consumption and production. Argentine officials also identified smuggling, corruption and different types of fraud as major sources of illegal proceeds.

A substantial portion of illicit revenue also comes from black market peso exchanges or informal value transfers. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the United States are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. U.S. law enforcement agencies consider the tri-border area (Argentina, Paraguay and Brazil) to be a major source of smuggling, especially of pirated products.

The Financial Action Task Force's (FATF) third-round mutual evaluation report of Argentina found the country partially compliant or non-compliant with 46 of the then 49 FATF Recommendations. The Government of Argentina (GOA) developed an action plan to address the deficiencies, and has made substantial progress carrying out this action plan by passing, and at least partially, implementing several new laws. However, the effectiveness of these laws has not yet been demonstrated in terms of enforcement and increased convictions.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters, charitable organizations, auto dealers, and postal services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13,308 in 2011
***Number of CTRs received and time frame:*** Not available

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

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 31: Unknown time frame
***Convictions:*** 2: June - December 2011

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On December 27, 2011, Argentina passed Law 26.734, which broadens the definition of terrorism, and increases monetary fines and prison sentences for crimes linked to terrorist financing. The law closes several loopholes in previous legislation, empowers the Argentine financial intelligence unit (UIF) to freeze assets, and criminalizes the financing of terrorist organizations, individuals, and acts. To date, this law has been used in human rights cases related to individuals wanted for criminal actions taken during Argentina's military dictatorships thirty-plus years ago. The law was used to freeze funds related to both the wanted persons and to family members and associates who allegedly provided the fugitives recent financial assistance. The UIF brought 44 such cases in the past year, and froze funds related to four individuals. While this does demonstrate that the law can be used to quickly freeze the assets, the investigation and prosecution of long-standing cases does not demonstrate an ability to detect and prevent ongoing or more current terrorist activities.

Argentine exchange houses are significantly more regulated than similar operations in other Latin American countries. However, this past year Argentina sharply limited access to foreign exchange in the formal market for most purposes, which drove most foreign exchange activities away from formal actors and into the informal sector. The market shift away from formal methods of exchange makes it difficult to evaluate the effectiveness of new regulations.

The UIF claims it made significant progress in formalizing transactions in the real estate sector, a significant area for money laundering operations. Its efforts were directed toward triangulating the reports of notaries, real estate agents, and real estate registrars to insure consistency. Consequently, there was a significant decrease in real estate sales in Argentina in the past year as these policies were implemented. However, it is difficult to determine if this change is due to increased difficulties in acquiring foreign currency (traditionally real estate in Argentina has been priced in U.S. dollars), an economic slowdown, or efforts to make money laundering

through real estate more difficult. There was a significant increase in the number of STRs filed in 2011 when compared to 2010.

Notwithstanding these improvements, technical deficiencies and challenges still remain in closing legal and regulatory loopholes and improving interagency cooperation. Argentina demonstrated a commitment to expand the knowledge of personnel involved in fighting financial crime and a willingness to act on the results of those trainings. For example, after attending a sponsored training on money laundering using pre-paid credit cards, Argentina implemented new regulations to try to prevent this practice. The GOA is open to advice on structuring new legal frameworks from international organizations. Most of the challenges Argentina now faces are in implementing these new laws and regulations in a proper, non-politicized manner. There have been two convictions from 31 money laundering cases opened after the 2011 revision of the law criminalizing money laundering.

Argentina continues to update its legal structures with an eye toward meeting international standards. Going forward, Argentina should continue to address the implementation of these laws to demonstrate the effectiveness of its anti-money laundering/counter-financing of terrorism (AML/CFT) infrastructure. Argentina should also take steps to foster the principals of transparency and good governance, criminalize tipping off, foster a culture of AML/CFT compliance, combat corruption, insure the court system is efficient, and build high ethical standards for police officers, prosecutors and judges, as well as professionals such as lawyers, accountants and auditors. Structural elements such as these are critical to establishing a functional legal and institutional AML/CFT framework.

## Armenia

Armenia is not a regional financial center and is not believed to be at major risk for money laundering and terrorist financing. Government corruption, an organized crime presence, and a large shadow economy make the country vulnerable. According to authorities, drugs such as heroin from Afghanistan and amphetamines from Russia and Turkey transit the country and are also abused domestically. However, the major sources of laundered proceeds likely stem from theft, tax evasion, and fraudulent financial activity, particularly transactions with forged credit cards.

Money laundering in Armenia generally takes place through the banking system, through informal remittances from Armenians living abroad, and through high-value transactions such as real estate purchases and misuse of the international gold trade. Casinos are legal and are regulated by the Ministry of Finance.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus, the State Cadaster, and the State Registry

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 170: January 1 – November 1, 2012
***Number of CTRs received and time frame:*** 136,324: January 1 – November 1, 2012
***STR covered entities:*** Banks and exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus, the State Cadaster, and the State Registry

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 6: January 1 – November 1, 2012
***Convictions:*** 1: January 1 – November 1, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Armenia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Armenia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Armenia (GOA) has continued to increase the number of money laundering investigations and prosecutions. The government should provide criminal penalties for legal persons involved in money laundering, criminalize tipping off, and require additional scrutiny for domestic politically exposed persons (PEPs). The GOA should ensure its counter-terrorist financing law and enabling regulations are in accordance with international standards. Armenian authorities and the financial intelligence unit (FIU) should ensure all obligated reporting sectors provide mandated financial intelligence reports to the FIU. The government is seeking international assistance to better regulate its activities.

## Aruba

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe and the transshipment of currency in the opposite direction. Money laundering is primarily related to proceeds from illegal narcotics trafficking by domestic and foreign criminal organizations. There is no significant black market for smuggled goods in Aruba. Bulk cash smuggling represents a risk due to the close proximity of Aruba to South America.

There are at least 11 casinos, and online gaming is allowed under a licensing and reporting system. The extent to which gaming facilitates money laundering in Aruba is not known. Aruba Customs controls three economic free zones managed by Free Zone Aruba NV (FZA). All companies with free zone status are reviewed and controlled by FZA, a government-owned limited liability company. Financial and business advisory services (such as banks, insurance companies, lawyers, notaries, tax consultants) are not allowed in the free zones. There is an integrity system in place to deter illegal activities, including smuggling and money laundering. A few cases of trade-based money laundering have been discovered and prosecuted.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** Not available

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, life insurance companies, money transfer companies, investment companies, trust and company services providers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, dealers in precious metals and stones, and dealers in high value goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 3,047: January 1 – August 31, 2012
***Number of CTRs received and time frame:*** 3,153: January 1 – August 31, 2012
***STR covered entities:*** Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors, and dealers in art, antiques, vehicles, aircraft, and ships

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 44: January 1 – November 9, 2012
***Convictions:*** 4: January 1 – November 9, 2012

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

Aruba is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/43/56/43988459.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading and market manipulation, many types of environmental crimes, or fraud. Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting system. Filed reports address: large cash transactions of $14,000 or more; wire transactions of $562,000 or more; other atypical transactions (e.g., persons or groups listed on the UN sanctions list); and, suspicious transactions. Bearer shares were eliminated in 2011.

The FZA has been invited to participate in regional working groups to promote its economic free zone integrity system.

Aruba uses listing and delisting mechanisms for persons and organizations in connection with anti-terrorist freezing measures taken by the competent authorities in Aruba. The Kingdom of the Netherlands, of which Aruba is an autonomous constituent part, may arrange for the ratification of any convention to be extended to Aruba. The 1988 UN Drug Convention was extended to Aruba in 1999; the UN International Convention for the Suppression of the Financing of Terrorism was extended to Aruba in 2005; and the UN Convention against Transnational Organized Crime was extended to Aruba in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

## Australia

Australia has deep, liquid financial markets and is recognized as a leader in investment management, as well as areas such as infrastructure financing and structured products. Australia is a financial services hub within the Asia-Pacific region, supported by a number of government initiatives such as the implementation of an investment manager regime and measures to provide taxation exemption or tax relief for foreign managers. Finance and insurance are the largest sectors in the Australian economy. Australia has one of the largest pools of consolidated assets under management globally, valued at about A$1.8 trillion (approximately $1.9 trillion). It is also a significant destination for foreign direct investment, with total inflows growing by over 16 percent in the first half of 2012 compared with the same period of 2011.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part in currency on behalf of other persons; and, currency couriers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 48,155: July 2011 - June 2012
***Number of CTRs received and time frame:*** 16,332: July 2011 - June 2012
***STR covered entities:*** Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part in currency on behalf of other persons; and, currency couriers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 65: July 2011 - June 2012
***Convictions:*** 53: July 2011 - June 2012

***RECORDS EXCHANGE MECHANISM:***

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

Australia is a member of the Financial Action Task Force (FATF) and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent evaluation can be found here: http://www.fatf-gafi.org/dataoecd/60/33/35528955.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The Attorney-General's Department is the policy agency responsible for the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) in collaboration with the Australian Transaction and Reports Analysis Center (AUSTRAC) who administers the Act and is also the country's anti-money laundering regulator and financial intelligence unit. Australia's financial system benefits from its global best

practices regulatory regime. AUSTRAC works collaboratively with Australian industries and businesses in their compliance with anti-money laundering/counter-terrorism financing (AML/CFT) legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas.

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

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

## Austria

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from serious fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones.

Casinos and gambling are legal in Austria. The laws regulating casinos include anti-money laundering/countering the financing of terrorism (AML/CFT) provisions. There are migrant workers in Austria who send money home via all available channels, regular bank transfers and money transmitters (e.g., Western Union), but also informal and illegal remittance systems. No information is available to what extent such informal systems are used.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, and auditors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,075 in 2011

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, auditors, and customs officials

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 537 in 2011

***Convictions:*** 6 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Austria is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Austria has been extremely slow to give effect to a bilateral forfeited asset sharing agreement with the United States that entered into force in March 2011. The agreement applies retroactively to a June 2004 request from the United States that asked the Austrian authorities to recognize a final U.S. forfeiture judgment against drug proceeds in a bank account in Austria belonging to a convicted drug trafficker. Subsequent court decisions, including both an Austrian interim appeals court decision and a Supreme Court decision – ordered the Vienna bank holding the assets to turn them over to the Government of Austria. However, the Austrian courts are now entertaining a series of collateral attacks on that decision and the latest action has been pending before the Austrian Supreme Court since April 2012. Under the 2011 asset sharing agreement, the United States is seeking the recovery of 50 percent of the forfeited proceeds, with the remainder going to the Government of Austria.

Austria has a combination of both an “all serious crimes” approach plus a list of predicate offenses which do not fall under the domestic definition of serious crimes, but which Austria

includes to comply with international legal obligations and standards. Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles.

Austrian banks have strict legal requirements regarding secrecy. Banks and other financial institutions must not divulge or exploit secrets which are revealed or made accessible to them exclusively on the basis of business relations with customers. However, the law stipulates that secrecy regulations do not apply with respect to banks' obligation to report suspicious transactions in connection with money laundering or terrorist financing, or with respect to ongoing criminal court proceedings. Any amendment of these secrecy regulations requires a two thirds majority approval in Parliament.

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence in doing business with designated countries. The FMA regulation currently includes 21 jurisdictions. This regulation implements Austria's new AML/CFT regime requiring banks to exercise enhanced customer due diligence, and is based on the Austrian Banking Act, the Insurance Supervision Act, and FATF statements on jurisdictions with AML/CFT deficiencies.

As of May 1, 2012, administrative fines in Austria have been doubled. This measure also affects the administrative fines in the Banking Act. The fine for violating due diligence or STR filing requirements rose to €150,000 (approximately $197,400).

While there is no enhanced customer due diligence for Austrian PEPs, procedures are being established. Austria should ensure that domestic PEPs are subject to increased due diligence.

A January 2012 report criticized Austria's anti-money laundering controls, stating that Austria should implement stronger measures to fight cross-border corruption and money laundering. The report also singled out the Austrian Banker's Association by citing the group as an obstacle to law enforcement investigations and also noted that Austria's gambling sector needs stricter monitoring.

## Azerbaijan

Azerbaijan is a rapidly growing economy, at the crossroads of Europe and central Asia, with vast amounts of natural resources. In 2012, the majority of international trade and foreign investment took place in the energy sector. All other sectors lagged energy in growth and sophistication, including the financial sector. This lag, coupled with Azerbaijan's shared history, long-standing trade relationships, and common border with Iran, make Azerbaijan's financial institutions vulnerable to being used by foreign entities looking to conduct money laundering/terrorist financing transactions. The major source of criminal proceeds in Azerbaijan is endemic public corruption, which cuts across all sectors. International reports identify Azerbaijan as a transit country for the Afghan drug trade; Azerbaijani authorities suspect this illicit drug trade generates a significant amount of illicit funds. It is likely that Iranian sanctions have also forced illicit funding into and out of Azerbaijan. 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.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 10,874: January 1 – July 31, 2011
***Number of CTRs received and time frame:*** 97,862: January 1 – July 31, 2011
***STR covered entities:*** Banks and money remitters; insurance and reinsurance companies, and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; real estate brokers and agents; lotteries; pawnshops; non-governmental organizations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1: February 1 – December 31, 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Azerbaijan 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Azerbaijan_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Over the past year, Azerbaijan has made concerted efforts to address financial institution vulnerability by bolstering the capabilities of its Financial Monitoring Service (FMS), implementing regulations in line with international standards, and working with donor support to implement systems to improve financial reporting. The FMS, Azerbaijan's financial intelligence unit under the Central Bank of the Republic of Azerbaijan, is making progress in data collection, storage, and analysis. However, the lack of interagency cooperation and inadequate training significantly diminish its investigative abilities.

The anti-money laundering law excludes from the list of covered entities dealers of arts, antiques, and other high-valued consumer goods; entities dealing with jewelry and precious metals; travel agencies; and auto dealers. These entities are not required to maintain customer information or report suspicious activity. The shortcomings should be addressed.

The small number of prosecutions and successful convictions demonstrate, in part, that there is too much emphasis on initiating money laundering investigations via the filing of suspicious transaction reports. Azerbaijan law enforcement and customs authorities should be trained to recognize money laundering at the street level and in the ports. They should emphasize border enforcement and counter-smuggling techniques. Concerned enforcement agencies also should receive training on how to recognize and combat regional trade-based money laundering, value transfer, and underground finance.

## Bahamas

The Commonwealth of the Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction and the offshore financial sector. The Bahamas is a transshipment point for cocaine bound for the United States and Europe. The major sources of laundered proceeds stem from drug trafficking, human smuggling, and illegal gambling. There is a significant black market for smuggled cigarettes and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money, despite strict know-your-customer and transaction reporting requirements.

The archipelagic nature of The Bahamas and its proximity to the United States make the entire country accessible by medium-sized boats; smuggling and moving bulk cash is relatively easy. The country has one large free trade zone (FTZ), Freeport Harbor. The FTZ is managed by a private entity, the Freeport Harbor Company, owned and operated through a joint venture between Hutchison Port Holdings, and The Port Group (The Grand Bahama Port Authority, the Bahamian parastatal regulatory agency). Businesses at the harbor include private boats, ferry and cruise ship visits, roll-on/roll-off facilities for containerized cargo, and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Gaming is legal for tourists. The Bahamas has three large casinos and a fourth is scheduled to open in March 2013 in Bimini. Ferry service between Florida and Bimini, located just 50 miles

off the Florida coast, also is scheduled to begin in March 2013. The $2.6 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort will open in 2014 in New Providence as the largest casino in the Caribbean. Current law excludes Bahamian citizens, permanent residents, and temporary workers from gambling in the Bahamas. Illicit gaming operations based on U.S.-based lottery results and the internet, locally known as "web shops," flourish in The Bahamas. The Government of the Commonwealth of The Bahamas (GOB) has scheduled a referendum for January 2013, to consider the legalization of web shop gaming.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 183 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2011
***Convictions:*** 0 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_content&view=category&layout=blog&id=376&Itemid=561&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2011, the Financial Intelligence Unit (FIU) of the Ministry of Finance signed a Memorandum of Understanding with the Financial Monitoring Service of the Russian Federation.

The GOB should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and to safeguard the financial system from possible abuses. Gaming will expand in 2013, from the growth of casino gaming and possibly from the legalization of web shop gaming. With this expansion, the government should ensure proper safeguards are in place, and provide additional suspicious transaction report (STR) training. The FIU should continue its outreach, training and coordination with the Royal Bahamas Police Force financial investigators. The GOB should further enhance its anti-money laundering/counter-terrorist financing regime by criminalizing bulk cash and human smuggling; implementing the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; criminalizing participation in an organized criminal group; establishing a currency transaction reporting system; and implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

## Bahrain

Bahrain is a leading financial center in the Gulf region. In contrast to its Gulf Cooperation Council neighbors, Bahrain has a primarily service-based economy, with the financial sector providing more than 20 percent of GDP. It hosts a diverse group of financial institutions, including 152 banks, 38 money changers and money brokers, and several other investment institutions, including 88 insurance companies. The greatest risk of money laundering stems from illicit 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 for smuggled goods or known linkages to drug trafficking.

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain, and machinery imported by Bahraini-owned firms, are also exempt from duty; the imported goods may be stored duty-free. These free zones are not a significant source for money laundering or terrorist financing. The informal and non-bank financial sectors are regulated and investigated similarly to the formal sector.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 317: January 1 - August 31, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, car dealers, financial intermediaries, attorneys, auction houses & galleries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

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

Bahrain is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.menafatf.org/Linkcounter.asp?rid=656&attached=MutualEvaluationReportOfBahrain.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

There is an over-reliance on STR reporting to initiate money laundering investigations. As a result, there has been a consistent lack of money laundering prosecutions and convictions. Financial crimes investigations and linking predicate offenses to laundering money should be more of a priority for Bahrain law enforcement.

Awareness within the capital markets and designated non-financial businesses and professions regarding STR reporting obligations is inconsistent. Tipping off is not prohibited and should be criminalized. According to authorities, the informal and non-bank financial sectors are regulated and investigated. Cash transaction reporting is not separated from STR reporting requirements. There is little awareness of trade based money laundering. The Government of Bahrain should strengthen the implementation of its anti-money laundering/counter-terrorist financing regime.

## Bangladesh

While Bangladesh is not a regional financial center, its geographic location—including its seaports and long porous borders with India and Burma—makes it a transshipment point for drugs produced in both the "golden triangle" of Southeast Asia and "golden crescent" of Central Asia. In addition to drug trafficking, corruption, fraud, counterfeit money, and trafficking in persons are the principle sources of illicit proceeds. Bangladesh is also vulnerable to terrorist financing, including funding that flows through the hawala/hundi system and by cash courier. The Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh has publicly claimed to receive funding from Saudi Arabia. Additionally, the banking sector's general lack of oversight and controls enhances the potential that banks within the country could be used to finance terrorism. Furthermore, money may stream into the country to support other illegal activity.

The Bangladeshi economy relies heavily on remittances, with remittances through official channels reaching over $13.4 billion in 2012. According to the Central Bank, a larger share of remittances is now transmitted through the formal sector although there remains widespread use of the underground and illegal hawala/hundi alternative remittance system. Black market money exchanges remain popular because of the non-convertibility of the local currency and scrutiny of foreign currency transactions made through official channels. Alternative remittance systems are also used to avoid taxes and customs duties. Additional terrorism financing vulnerabilities exist, especially concerning the use of non-governmental organizations (NGOs), charities, counterfeiting, and loosely-regulated private banks.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 175: July 1, 2011 – June 30, 2012

***Number of CTRs received and time frame:*** 3,546, 991: July 1, 2011 – June 30, 2012
***STR covered entities:*** Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations and NGOs, dealers of precious metals and stones, trust companies, lawyers, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** 0

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

Bangladesh is a member of Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Bangladesh%20ME2%20-%20final120809.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the Government of Bangladesh (GOB) took steps to improve its anti-money laundering/counter-terrorist financing (AML/CFT) legal framework. These efforts include the enactment of amendments to its AML legislation in February 2012, and the issuance of AML/CFT guidance to the capital markets. The AML amendments expand the predicate offenses for money laundering and the categories of reporting entities. However, serious deficiencies persist, including failure to: adequately criminalize terrorist financing, specifically with respect to individuals who engage in such activity; establish and implement adequate procedures to identify and freeze terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit (FIU) with adequate resources to fully perform its functions; and improve international co-operation.

Implementation of existing laws remains a significant issue. The GOB should continue its work on legislative amendments as well as implementing mechanisms, and should continue to improve investigation, prosecution, supervision, and enforcement capacity. While the country recovered approximately $1.6 million in proceeds in November, the low number of money laundering convictions is not commensurate with the size of Bangladesh's economy or its threat profile. Investigators and prosecutors prefer to pursue relatively straightforward crimes while failing to scrutinize the more complex, and potentially more serious, crimes. The GOB should improve its capacity to investigate financial crimes of greater sophistication. The GOB should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections among corruption, money laundering, and related crimes. Finally, the GOB also should emphasize the importance of human intervention and analysis in terrorist financing cases, as the varied profiles of these cases may not trigger an automated report.

Criminal investigators and Bangladesh customs should systematically examine trade-based money laundering and value transfer. Not only will combating customs fraud provide needed revenue, but international trade is frequently used in Bangladesh and the surrounding region to provide counter-valuation or a method of settling accounts between hawala/hundi brokers.

The GOB should address weaknesses in the transaction monitoring systems and ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. It should require enhanced due diligence for domestic politically exposed persons (PEPs).

While the GOB amended its legislation to prohibit "tipping off" and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the GOB in good faith, it must ensure that financial institutions are compliant with these new laws, especially given how pervasive corruption and bribery are in Bangladesh. Bangladesh should issue clear guidance to the capital market on its AML/CFT obligations, including STR reporting. Additionally, Bangladesh should continue its efforts to gain membership in the Egmont Group of FIUs.

## Barbados

Barbados is a regional financial center with a large international business company (IBC) presence. The country's vulnerability to money laundering is primarily associated with the domestic sale of illegal narcotics and the laundering of criminal proceeds. Some evidence suggests that proceeds from illicit activities abroad are laundered through domestic financial institutions. There is no evidence of public corruption or the offshore financial sector contributing to money laundering activity.

Per 2011 reporting, there are nine commercial banks and holding companies, 13 trusts and merchant banks, and 45 international banks licensed by the Central Bank of Barbados. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs. The Central Bank of Barbados estimates the offshore sector is a $32 billion industry. IBCs are subject to enhanced due diligence requirements for license applications and renewals, and are audited if total assets exceed $500,000. Bearer shares are not permitted. Observers have concerns with information sharing restrictions and the effectiveness of supervision.

There are no free trade zones and no domestic or offshore casinos.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, securities and insurance brokers and companies, money exchanges or remitters, and financial management firms; lawyers, real estate brokers, high-value goods dealers and accountants; investment services or any other financial services; credit unions; building, restricted liability, and friendly societies; offshore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; and international trusts

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 214 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Commercial and offshore banks and credit unions; money transmission services, investment services or any other financial services; credit unions; building, restricted and friendly societies; offshore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; international trusts; real estate agents; dealers in precious metals and precious stones; lawyers, trust and company service providers; insurance companies, accountants, and finance companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2012
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Barbados is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=353&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

There is a Double Taxation Treaty with the United States and a specific agreement between Barbados and the United States for the exchange of information with reference to taxes.

The Government of Barbados (GOB) should be more aggressive in conducting examinations of the financial sector and maintaining strict control over vetting and licensing of offshore entities. The GOB should devote sufficient resources to ensure the financial intelligence unit (FIU), law enforcement, supervisory agencies, and prosecutorial authorities are properly staffed and have the capacity to perform their duties. Supervision of nonprofit organizations, charities, designated

non-financial businesses and professions, and money transfer services should be strengthened, as should information sharing among regulatory and enforcement agencies. Finally, to further enhance its legal framework against money laundering, Barbados should move expeditiously to become party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

## Belarus

Belarus is not a major financial center, and its financial sector generally lacks sufficient transparency and accountability. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Due to high taxes and an intricate taxation system that encourage off-book cash transactions, underground markets, and the dollarization and eurozation of the economy, a significant volume of foreign currency cash transactions eludes the banking system. Belarus has concluded several large natural resource concessions without a tender and public scrutiny. The concentration of power in the hands of the Presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Economic decision-making in Belarus is highly concentrated within the top levels of government and, ultimately, in the presidency. Financial institutions have little autonomy.

Illicit proceeds and assets are sometimes laundered in Belarus through fake contracts primarily between Russian and Belarusian businesses for the supply of various products; deposits of illicit funds into operating accounts of businesses in the form of authorized capital contributions; the sale of illicitly acquired assets through retail networks; and the transfer of assets to balance sheets of front companies.

There are many casinos, especially in the capital, Minsk, and foreign ownership is allowed. It is not clear what regulation occurs in the sector but it may be a significant vulnerability for money laundering. Belarus has up to a million workers abroad and it is unclear how their remittances end up back in the country.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and property leasing firms

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The 2006 advisory to U.S. financial institutions alerting them to potential money laundering threats involving Belarusian government senior regime elements (including senior executives in state-owned enterprises) seeking to move misappropriated Belarusian state assets as well as proceeds from illicit arms sales to or through the U.S. financial system, either acting individually or through government agencies and associated front companies, remains in effect. In 2006, the U.S. also imposed targeted financial sanctions on Belarusian government senior regime elements. In 2004, Infobank, Minsk (renamed PJSC Trustbank) was designated as being of primary money laundering concern under Section 311 of the USA PATRIOT Act. In May 2012, the U.S. Treasury also identified Belarus-based JSC CredexBank (renamed JSC InterPayBank) as a financial institution of primary money laundering concern under the same section of the above Act.

In 2007, the United States imposed sanctions on the state petrochemical conglomerate, Belneftekhim. On August 11, 2011 the United States imposed additional, new economic sanctions against four major Belarusian state-owned enterprises that were determined to be owned or controlled by the Belneftekhim conglomerate.

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

On January 3, 2012, the Belarus Democracy and Human Rights Act of 2011 was signed into law. The new package of sanctions expands the list of Belarusian officials and law enforcement representatives subject to visa bans and financial restrictions. In August 2012, the U.S. extended limitations on trade with Belarus under the International Emergency Economic Powers Act (IEEPA). In 2006, Belarus was put on the list of countries with which the U.S. has only limited trade relations under IEEPA for the reason of deconstructing democratic institutions.

In 2012, the Government of Belarus (GOB) took steps to improve its legal and regulatory framework to fight money laundering and terrorist financing. In October, Belarus amended the Criminal Code to significantly expand its Articles on Terrorism and International Terrorism. In December, Belarus ratified the Agreement between the Customs Union (CU) members (Russia, Belarus, Kazakhstan) on their AML/CFT cooperation in money and monetary instruments transfers through the CU border. In April, Belarus' Ministry of Taxes and Duties replaced the Ministry of Sport and Tourism as the chief controlling and inspecting agency over organizers of legal gambling, and drafted and cleared regulations for internal control in such businesses. While Belarus has made progress in several areas, serious deficiencies remain, and in many instances, implementation falls below international standards. Enforcement problems are often caused by inadequate training, staffing and funding of the relevant agencies, as well as poor national and international cooperation.

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

## Belgium

Belgium's banking industry is medium sized, with assets of over $1.5 trillion in 2012. Illicit funds primarily derive from serious forms of financial crime, including tax crime and drug trafficking proceeds. Authorities note that criminals are increasing their use of money mules, remittance transactions and shell companies; they rely primarily upon non-financial sectors, in particular lawyers, real estate entities and nonprofit organizations, whose under-reporting raises questions. The Belgian diamond industry also has been used to launder money. Approximately 80 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium. In 2011, the Financial Information Processing Unit (CTIF), Belgium's financial intelligence unit, estimated the total theoretical amount of 'dirty' money in Belgium at $3 billion, or almost 1 percent of the country's GDP.

According to CTIF, most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Belgium generally has very little public corruption that contributes to money laundering and none known related to terrorist financing. According to the 2011 CTIF annual report, contraband smuggling represents 10.1 percent of all cases, while terrorist financing represents only 1.6 percent.

Casinos are licensed, and the total number of casinos is limited to nine; eight licenses have been issued. There appears to be steady growth in Internet gaming.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, auditors, accountants, tax advisors, surveyors, lawyers and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 20,001 in 2011
***Number of CTRs received and time frame:*** 5,541 in 2011
***STR covered entities:*** Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, auditors, accountants, tax advisors, surveyors, lawyers and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Belgium is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/a-c/belgium/

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Belgium permits bearer shares for individuals, banks, and companies. The Government of Belgium should take steps to immobilize these shares.

In 2012, Belgian authorities continued timely freezing of suspicious transactions due to cooperation among the different operational levels of law enforcement authorities. They scrutinize the purchase of properties by non-profit organizations with religious goals, since most of these transactions occur through cash deposited into the accounts of these organizations.

Belgian authorities recognize the importance and challenges to law enforcement of the diamond industry, as well as the potential vulnerabilities it presents to the financial sector. Authorities have transmitted a number of cases relating to diamonds to the public prosecutor.

Only a quarter of the approximately 3,000 phone shops in Belgium are formally licensed. Police raids on these shops have uncovered evidence of money laundering operations. Authorities report challenges for officials trying to collect tax revenue and detect money laundering operations because phone shops often declare bankruptcy and later reopen under new management.

## Belize

While Belize is not a major regional financial center, it is an offshore financial center. In an attempt to diversify Belize's economic activities, the Government of Belize (GOB) encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in its offshore financial sector. Additionally, some money laundering is believed to be related to proceeds from U.S. residents participating in unlawful Internet gaming.

Belizean officials suspect there is money laundering activity in their two free trade zones known as Commercial Free Zones or CFZs. The largest, the Corozal Commercial Free Zone, is located on the border with Mexico, and the smaller one, the Benque Viejo Free Zone, recently started operating on the western border with Guatemala. The Corozal Free Zone was designed to attract Mexicans for duty free shopping, and Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.

As Belize is a transshipment point for marijuana and cocaine, there are strong indications that money laundering proceeds are increasingly related to local drug trafficking organizations and organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys; notaries public; accountants and auditors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 82: January 1 - November 8, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys; notaries public; accountants and auditors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 14: January 2009 - September 2012
***Convictions:*** 11: January 2009 - September 2012

***RECORDS EXCHANGE MECHANISM:***

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

Belize is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=352&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The August 2012 "Domestic Banks and Financial Institution Act" strengthens internal anti-money laundering (AML) controls. The Act improves provisions to govern domestic banks and financial institutions by strengthening the supervisory powers and regulatory independence of the Central Bank, addressing deficiencies and vulnerabilities in the domestic banking sector, and providing for the appointment of a statutory license administrator, where appropriate, to protect the interests of depositors, creditors and shareholders. While the Act enhances the Central Bank's control of domestic banks and financial institutions, the GOB should determine how the act can be used to strengthen money laundering investigations and prosecutions.

The GOB should provide additional resources to effectively enforce AML regulations. The responsibility for enforcement and implementation of all financially-related regulations as well as international sanctions lists, domestic tax evasion, and all money laundering investigations lies with the financial intelligence unit (FIU). There is limited assistance from other law enforcement agencies, governmental departments, and regulatory bodies. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. Prosecutors and judges should receive additional training on financial crimes, including money laundering, to increase prosecutions. The FIU currently contracts outside attorneys for prosecutions.

The Prime Minister and other government officials have made public statements supportive of the U.S. Department of the Treasury's Office of Foreign Assets Control's 2012 designations of Belizeans, and all local banks comply and prohibit business with the designated entities.

In August 2012, Belize successfully convicted three people in a case involving Moneygram's local owners and employees laundering money gained through an Internet gaming website. Three individuals were convicted on money laundering charges in November 2012. This is Belize's first significant money laundering conviction.

The GOB should increase monitoring and control of the offshore financial sector and CFZs. It is widely believed there is illicit financial activity in both sectors, although no one has been charged with a financial crime. Belize should require the CFZs to be reporting entities.

Belize also should become a party to the UN Convention against Corruption.

## Benin

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones and artifacts

***REPORTING REQUIREMENTS:***

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

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2011
***Convictions:*** 0 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Benin is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Benin.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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

Benin does not have specific legislation criminalizing terrorist financing, but individuals found guilty of such crimes may be charged under the country's penal code.

KYC and STR requirements are not routinely implemented. With the exception of cash couriers, who must declare the transfer of funds equal to or exceeding 2,000,000 FCFA (approximately $4,000) across borders, AML/CFT controls are not applied to non-bank financial institutions, despite their coverage under the law. Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share the data with the financial

intelligence unit. The GOB should work with regional partners and international donors to provide AML awareness and procedural training to those with responsibilities under the law.

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

## Bermuda

Bermuda, a British Overseas Territory, 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. To the extent money laundering occurs in Bermuda, it is believed to be principally related to the domestic drug trade. Money laundering proceeds are controlled primarily by domestic gangs, which have proliferated in recent years.

There is no significant black market for smuggled goods in Bermuda. There is no known money laundering/terrorist financing (ML/TF) activity through free trade zones, or money or other value transfer services in Bermuda. However, there have been cases where domestic criminals have utilized the formal financial sector for money laundering purposes. Bermuda does not permit offshore banks. A foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but it may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies. Sports betting is legal, but online betting and casinos are not permitted.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, trustees, securities brokers and financial management firms, long-term insurance companies, money service businesses, insurance managers and brokers, fund administrators, investment fund operators, and independent legal advisers and accountants who are members of the Bermuda Bar Association and the Institute of Chartered Accountants of Bermuda

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 310: January 1 – October 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** All persons must report any suspicion of money laundering that comes to their attention in the course of their 'trade, profession, business or employment'

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3: January 1 – October 31, 2012
***Convictions:*** 2: January 1 – October 31, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Bermuda is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=351&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On July 13, 2012, Bermuda enacted the Criminal Justice (International Co-operation) (Bermuda) Amendment Act 2012 to effect the February 2012 Treaty between the Government of the United States of America and the Government of Bermuda (GOB) relating to Mutual Legal Assistance in Criminal Matters. The U.S. Department of Justice assisted Bermuda with a mutual legal assistance request resulting in a conviction under the Act.

The GOB works closely with international partners, including U.S. law enforcement agencies. In June 2012, a joint Bermuda Police Service (BPS) - Department of Homeland Security (DHS) - Drug Enforcement Agency investigation led to a conviction in a case involving the importation of drugs and ammunition valued at $10 million. In September 2012, the BPS assisted the Federal Bureau of Investigation in an ongoing case involving use of a Bermudian finance company to deposit approximately $300 million in Ponzi scheme funds between 1990 and 2008. Also in September 2012, three persons were convicted of importing $1,000,000 of drugs in a BPS investigation supported by DHS. The Bermuda Monetary Authority also cooperated with the U.S. Securities and Exchange Commission in 2012.

There were two successful money laundering prosecutions in 2012. In March, a defendant was sentenced to five years in prison and forfeiture of $100,000 cash for laundering more than $63,000 between 2007 and 2010. His co-conspirator received a sentence of four months. In

May, a jury convicted a couple of money laundering and other crimes committed from 2005 to 2008, and sentenced them to eight-year and six-year jail terms. The couple was ordered to repay the stolen $526,834.

Effective August 15, 2012, attorneys and accountants who are members of the Bermuda Bar Association and the Institute of Chartered Accountants of Bermuda, respectively, became subject to anti-money laundering/counter-terrorist financing (AML/CFT) regulations. During 2012, significant additional enforcement powers were added to the regulatory acts covering insurance, banking, trusts, and investment businesses, including the capacity to use those powers in relation to AML/CFT compliance issues. The 2012 amendments to the Revenue Act 1898 significantly enhance customs' powers to search goods and persons for cash in customs areas, or outside customs areas in cases of pursuit; on board any vessel or aircraft; or under a magistrate's warrant.

As a British Overseas Territory, Bermuda cannot sign or ratify international conventions. Instead, the United Kingdom, which is responsible for Bermuda's international affairs, may arrange to extend the ratification of any convention to Bermuda. The 1988 Drug Convention was extended to Bermuda in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to Bermuda. Through domestic regulation, in 2012 Bermuda instituted international sanctions against Iran, Sudan, South Sudan, Afghanistan, Syria and al-Qaida, in addition to those already in place against Libya, Tunisia, Egypt, Syria and Belarus.

## Bolivia

Bolivia is not a regional financial center but remains vulnerable to money laundering. Illicit financial activities are related primarily to cocaine trafficking, but include corruption, tax evasion, smuggling, and trafficking in persons. Criminal proceeds laundered in Bolivia are derived from smuggling contraband and from the foreign and domestic drug trade.

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. An estimated 70% of Bolivia's economy is informal, with proceeds entering the formal market through the financial system. There is no indication the illicit financial activity is linked to terrorist financing, though lack of proper safeguards creates a vulnerability to such activity.

Much of the informal economy occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 31% of deposits and 24% of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

Bolivia is included in the October 2012 Financial Action Task Force (FATF) Public Statement because it has not made sufficient progress in implementing its action plan and continues to have certain strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, including inadequacies in its criminalization of both money laundering and terrorist financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transporter companies and financial intermediaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transporter companies and financial intermediaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 70: January through October 2012
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** Not available

Bolivia is a member of the Financial Action Task Force in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/home.htm

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In December 2008, the Egmont Group of Financial Intelligence Units (FIU) expelled Bolivia's Financial Investigation Unit (UIF), Bolivia's FIU, and continues to bar the UIF from participating in Egmont Group meetings or using the Egmont Secure Web, the primary means of information exchange among Egmont Group member FIUs. To regain Egmont membership, Bolivia must reapply and provide written evidence of compliance with Egmont definitions and requirements. A continued lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework, limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

Cash transporters, informal exchange houses, and wire transfer businesses are not subject to anti-money laundering controls. Non-registered currency exchanges are illegal.

The September 2011 legislation criminalizing terrorist financing is not sufficiently broad to meet international standards. According to the law, all terrorist activity must be connected to a group, and "terrorism" is narrowly defined. The financing of an individual terrorist would be covered only if he/she also takes part in such a group. Additionally, the Government of Bolivia (GOB) should demonstrate that procedures for freezing assets can be completed in a timely manner, and the freeze can be maintained indefinitely.

While Bolivia does not have a mutual legal assistance treaty with the United States, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance.

The GOB should address the AML/CFT legislative deficiencies and extend its laws to the widest range of predicate offenses.

## Bosnia and Herzegovina

Bosnia and Herzegovina (BIH) is primarily a cash-based economy and it is not an international or regional financial center. Most money laundering activities in BIH are for the purpose of evading taxes. A lesser amount involves concealing the proceeds of illegal activities including trafficking, illicit drugs, organized crime, and corruption.

With porous borders and weak enforcement capabilities, BIH is a significant market and transit point for smuggled commodities including cigarettes, illicit drugs, firearms, counterfeit goods, lumber and fuel oils. Bulk cash couriers are also used by organized criminal elements and potential terrorist financiers. There is no indication BIH law enforcement has taken action to strongly combat the trade-based money laundering likely to be occurring in the country. Corruption is endemic, affecting all levels of the economy and society.

There are four active free trade zones in BIH, with production based mainly on automobiles, forestry and wood products, and textiles. There have been no reports that these areas are used in

trade-based money laundering. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring free trade zone activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and currency exchange offices; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 212,893: September 2011 - September 2012
***Number of CTRs received and time frame:*** 132,871: September 2011 - September 2012
***STR covered entities:*** banks and currency exchange offices; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1: September 2011 - September 2012
***Convictions:*** 1: September 2011 - September 2012

***RECORDS EXCHANGE MECHANISM:***

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

Bosnia and Herzegovina is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual

evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/BH_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

BIH's political structure and ethnic politics hinder the effectiveness of its anti-money laundering/counter-terrorist financing regime. Coordination of financial law enforcement among the multiple jurisdictional levels in BIH -- the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District – is improving, but should be improved further.

Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District were enacted and harmonized in 2003, but further harmonization is necessary. Since the State does not have the resources to investigate all money laundering violations, the respective criminal codes complement one another. The jurisdictions, however, maintain separate bank supervision and enforcement/regulatory bodies. Although BIH has an overarching law providing a framework for implementing UNSC measures, in some cases, it lacks appropriate implementing regulations.

BIH law requires customs officials and the Indirect Tax Administration (ITA) to report to the Financial Intelligence Department (FID) all cross-border transportation of cash and securities in excess of KM 10,000 (approximately $6,900). However, due to weak enforcement and corruption, large amounts of currency leave and enter the country undetected. In addition, the ITA has no State level authority to seize currency upon discovery of a false declaration or suspicion of illegal activity. Although the Government of BIH (GOBIH) recognizes the threat of money laundering posed by bulk cash couriers, enforcement problems continue to exist. The government should remedy these shortcomings.

Officially, the FID has access to other government entities' records, and formal mechanisms for interagency information sharing are in place. In practice, however, the FID has only indirect access to the full range of databases required to perform proper analysis. Interagency cooperation has improved but the GOBIH should continue to strengthen institutions with responsibilities for money laundering prevention.

Although the Council of Ministers passed amendments to the Law on Prevention of Money Laundering and Terrorist Financing, the State Parliament rejected the legislation in October 2011. In October 2012, a working group revised the draft legislation. The draft law recommends keeping a law enforcement model financial intelligence unit, increases the ability to monitor domestic PEPs, and clarifies and enhances the ability to disseminate information to domestic law enforcement agencies. It has been submitted to the Council of Ministers for further consideration. The GOBIH should pass these amendments.

Although prosecutors, police, and tax officials have received training on tax evasion, money laundering, and other financial crimes, the GOBIH should enhance the capacity to understand diverse methodologies, and aggressively pursue investigations. BIH authorities should undertake

efforts to understand trade-based money laundering and alternative remittance systems and their role in money laundering.

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

## Botswana

Botswana is not a regional financial center, though its role as the world's largest diamond producer offers opportunities for money laundering and illicit finance. The stringent institutional framework for the mining and processing of diamonds affords little opportunity for organized diamond smuggling. Smuggling that may occur is not believed to be linked to terrorist finance or the laundering of criminal proceeds. There is no evidence that money laundering, to the extent it occurs, is primarily related to proceeds from drugs. The authorities believe there is a low risk of terrorist activity, though they acknowledge the potential for terrorist financing. Botswana enjoys a low level of corruption compared to other African states.

Botswana is a cash-based society. The presence of organized criminal groups is growing. The growing trade in second-hand car dealerships is an area of concern. In recent years there has been an increase in the amount and frequency of major fraud committed against large organizations, e.g., banks or government departments, typically with the collusion of an employee. It is not known whether the laundering of the proceeds of these crimes takes place in country or involves transport of proceeds across borders. Some observers have noted an increase in the sophistication and level of organization of cross-border crime, but there is no evidence Botswana has developed a robust cross-border trade in illicit proceeds. There are no mechanisms in place to effectively regulate or monitor informal value transfer systems.

The Government of Botswana (GOB) operates the International Financial Service Center (IFSC), an organization authorizing entities to provide financial services. IFSC accredited companies focus on funds management, banking services, international insurance and financial intermediary services. The services must be provided to/for clients outside Botswana and in currencies other than the pula. The supervisory standards applied to domestic entities also are applicable to IFSC entities. Shell companies and anonymous directors and trustees are not allowed.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, issuers/brokers of long-term insurance, foreign exchange traders, and an IFSC certification committee

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 7 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, issuers/brokers of long-term insurance, foreign exchange traders, an IFSC certification committee

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Botswana has set up the key fundamentals of an anti-money laundering (AML) regime through various legislative and regulatory instruments. The key components of the institutional framework for AML are in place and the Central Bank has been enforcing compliance with the AML requirements. Botswana has established the Non-Bank Financial Institutions Regulatory Authority which is responsible for AML oversight of non-financial institution entities. However, there is no legal provision in Botswana for an obliged entity, other than a bank, to actually monitor for complex, unusually large transactions, or unusual patterns of transactions with no apparent lawful purpose.

To date, only banks are filing suspicious transaction reports (STRs), and fundamental deficiencies exist relating to customer due diligence guidelines. The number of STRs filed is consistently very low. The GOB has been slow in taking steps to allow the Financial Intelligence Agency, its financial intelligence unit (FIU), to fulfill its mandate; and it is not yet operational. The GOB has yet to amend its legislation to prevent dual submission of STRs to both the Central Bank and the Directorate on Corruption and Economic Crimes (DCEC).

Botswana law enforcement, intelligence, and customs services have little understanding or expertise in recognizing and combating money laundering. Moreover, the small number of financial intelligence reports filed and the lack of AML prosecutions and convictions demonstrate that the AML regime in Botswana is not working effectively. The DCEC is actively investigating an increasing number of corruption cases. The Department of Public Prosecution regularly prosecutes these offenses, including those alleged against politically important persons. The GOB has not enacted legislation that criminalizes terrorism financing. There have been no terrorism related prosecutions.

The GOB should address its anti-money laundering/counter-terrorist financing deficiencies by passing terrorism financing legislation, establishing an operational FIU, and amending both the Arms and Ammunition Act and the Penal Code to address offenses related to money laundering as provided for by the 1988 UN Drug Convention and the UN Convention Against Transnational Organized Crime.

## Brazil

Brazil was the world's sixth largest economy by nominal gross domestic product (GDP) in 2011, and is considered a regional financial center for Latin America. It is also a major drug transit country, as well as one of the world's largest consumer countries. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, illegal gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

Sao Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay are specific areas that possess high-risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it originating in Asia), are routinely smuggled across the border from Paraguay into Brazil. In addition to Sao Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil (GOB) and local officials in the states of Mato Grosso do Sul, and Parana, for example, report increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

Brazil has four free trade zones/ports (FTZs). The GOB provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions. In October 2011, the President of Brazil signed a constitutional amendment which extends the industrial zone status of Manaus, the most prominent FTZ, for another 50 years.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:***
***Number of CTRs received and time frame:***
1,289,087 STRs/CTRs in 2011 (only combined figures are available)
***STR covered entities:*** Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Brazil is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/documents/documents/mutualevaluationreportofbrazil.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOB achieved visible results over the last few years from the increased anti-smuggling and law enforcement efforts by state and federal agencies. Brazilian Customs and the Brazilian Tax Authority continue to take effective action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. Because of the effective crackdown on the Friendship Bridge connecting Foz do Iguaçu, Brazil, and Ciudad del Este, Paraguay, most

smuggling migrated to other sections of the border. The Federal Police Special Maritime Police Units aggressively patrol the maritime border areas.

In June 2012, the GOB passed a new anti-money laundering law. The new legislation provides Brazilian legal authorities with greater latitude in defining and prosecuting money laundering offenses and significantly increases the maximum fine for money laundering crimes. The law also allows assets held by third parties to be seized more easily; however, the 2012 legislation does not criminalize terrorism financing in a manner consistent with international standards and does not provide the GOB with the ability to quickly freeze terrorists' assets. The GOB should take steps to correct these deficiencies by passing draft legislation that addresses these issues.

Legal persons are not subject to direct civil or administrative liability for committing money laundering offenses. Corporate criminal liability is not possible due to fundamental principles of domestic law. The GOB should enact legislation that imposes criminal and/or civil/administrative penalties for legal persons involved in money laundering/terrorist financing activity.

Some high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a concern. Large sums of U.S. dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay into Brazil. From there, the money may make its way to banking centers in the United States. However, the GOB maintains some controls over capital flows and requires disclosure of the ownership of corporations.

Brazil's Trade Transparency Unit (TTU), operating in partnership with the U.S. Department of Homeland Security, aggressively analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between Brazil and the United States. As a result of the TTU, the GOB has identified millions of dollars of lost revenue. The GOB has generally responded to U.S. efforts to identify and block terrorist-related funds, including U.S. designations related to terrorist financing activity within the country.

## British Virgin Islands

The British Virgin Islands (BVI) is a United Kingdom (UK) overseas territory with a population of approximately 22,000. The economy is heavily dependent on tourism and its offshore operations. BVI is a well-established financial center offering accounting, banking and legal services, captive insurance, company incorporations, mutual funds administration, trust formations, and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. BVI's unique share structure does not require a statement of authorized capital and the lack of mandatory filing of ownership information poses significant money laundering risks.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, over one-half of government revenues derive from the financial sector. BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI is a major target for drug traffickers, who

use the jurisdiction as a gateway to the United States. Drug trafficking, in general, is a serious problem.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; currency exchanges and money remitters; trusts and company service providers; mutual and public fund managers; non-governmental organizations; insurance companies, agents and brokers; dealers in autos, yachts and heavy machinery; dealers in precious metals and stones; lawyers and accountants; real estate agents; casinos; and leasing companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 152 in 2011
***Number of CTRs received and time frame:*** 59: January - June 2012
***STR covered entities:*** Banks; currency exchanges and money remitters; trusts and company service providers; mutual and public fund managers; insurance companies, agents and brokers; non-governmental organizations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; money service businesses; lawyers and accountants; real estate agents; casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 7 in 2011
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

BVI is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=327&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In July 2012, The Proceeds of Criminal Conduct (Amended) Act (PCCA), 2012 significantly increased penalties for most money laundering criminal acts. Additionally, the Anti-Money Laundering and Terrorist Financing (AML/TF) Code of Conduct (Amended, 2012) supplements the PCCA and provides risk-based approach guidance to businesses while allowing for stiff administrative penalties for violations. The FSC has increased its staffing in order to meet the recommended inspection and reporting requirements.

While real estate agents, lawyers, other independent legal advisers, accountants, dealers in precious metals and stones, and non-governmental organizations are covered by the AML/CFT regulations, there appears to be no effective mechanism to ensure compliance with AML/CFT requirements. Furthermore, although casinos also are covered, there are no casinos in the BVI at the present time.

As a United Kingdom (UK) Caribbean overseas territory, the BVI cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime were extended to the BVI on May 17, 2012.

## Brunei

Brunei is not a regional financial center. Brunei has a mandatory death penalty for many narcotics offenses and gambling is illegal. Brunei does have a small offshore financial center and its proximity to high crime regions, along with its large foreign worker population and limited anti-money laundering/counter-terrorist financing (AML/CFT) institutional capacity, make it vulnerable to cross-border criminal activity. Domestically, Brunei is a low threat country for money laundering and terrorist financing. Proceeds of crime generally originate in fraud, gambling, the drug trade, and fuel smuggling. There are also concerns about an increase in cybercrime, and in particular, financial fraud such as pyramid schemes and email scams.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** 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/17/Brunei%20Darussalam%20MER2_FINAL.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While the Government of Brunei (GOB) has made progress in strengthening its AML/CFT regime, certain strategic deficiencies have been identified that the country should urgently seek to remedy. These include criminalizing terrorist financing, establishing and implementing adequate procedures to identify and freeze terrorist assets, and ensuring a fully operational and effectively functioning financial intelligence unit. The GOB should continue to address all of the items in its AML/CFT action plan.

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

While the GOB issued a notice to banks to conduct enhanced due diligence on politically exposed persons (PEPs) in 2011, it is unclear how effective this instruction has been. Authorities should continue

## Bulgaria

Bulgaria's developing financial sector, large underground economy, prevalent use of cash transactions, and lack of effective enforcement combine to make Bulgaria vulnerable to money laundering. Laundered funds are derived primarily from domestic and foreign criminals engaging in human or drug trafficking, smuggling, tax fraud, credit card fraud, and increasingly,

internet fraud. Bulgaria is a major transit point for the trafficking of drugs and persons into Western Europe. Contraband continues to generate laundered funds within the Bulgarian financial system, particularly the trade in smuggled cigarettes, alcohol, and fuel. The smuggling of cigarettes is particularly problematic. Public corruption remains a serious problem.

Bulgarian criminals often establish small businesses to hide laundered funds, increasingly in offshore territories. However, due to the adverse effects of the economic crisis, businesses are seeing less profit, making it more difficult to launder money in these venues. In 2012, casinos, night clubs, car dealerships and, to a lesser extent, wholesale traders, were the most common businesses associated with money laundering in Bulgaria. The tourism and gaming industries are considered important venues for money laundering activities by organized crime groups.

Online gaming is regulated by the State Commission for Gambling under the Ministry of Finance. There are six free trade zones in Bulgaria, also supervised by the Ministry of Finance. The goods produced in these zones are exported without duties. Some believe free trade zones are used to avoid paying customs fees, especially on gas derivatives and cigarettes sold within Bulgaria.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** YES
***KYC covered entities:*** Banks, money exchangers, insurance companies, investment funds, notaries, gambling businesses, securities dealers, real estate brokers, political parties, sport clubs, and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 743: January 1 – July 31, 2012
***Number of CTRs received and time frame:*** 95,887: January 1 – July 31, 2012
***STR covered entities:*** Banks, money exchangers, insurance companies, investment funds, notaries, gaming businesses, securities dealers, real estate brokers, political parties, sport clubs, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 34: January 1 - November 30, 2012
***Convictions:*** 19: January 1 - November 30, 2012

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

Bulgaria is a member of the Council of Europe Committee 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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Bulgaria (GOB) has implemented the 2011 Strategy for Combating Money Laundering and is considering amendments to further strengthen its legal framework, particularly with respect to significant and complex transactions. While the country adopted new non-conviction based asset forfeiture legislation in May, it is still pending implementation.

In July, 2012 Parliament enacted new legislation which specifically regulates the licensing of online casinos and other types of gaming institutions. The law introduces higher requirements for organizers of the institutions and requires all participants in online gaming to register prior to using the sites.

The authorities opt for easy-to-prove, low level corruption and related money laundering cases. As a result, progress on cases of high public interest, such as the public procurement of big energy infrastructure projects involving alleged siphoning of millions in taxpayer money, have not generally been pursued.

Financial crimes enforcement capacity is limited. Aggressive prosecution of money laundering cases is significantly hampered by the lack of financial expertise within law enforcement and the prosecution service and by the limited pool of independent experts contracted to make complex financial analyses with respect to such cases. Other limitations are based on a reluctance of key witnesses to testify against organized criminal groups and lack of incentives to motivate prosecutors to take on such complex cases. While prosecution services are making efforts, for example through the implementation of training programs and the development of manuals and internal guidelines, more should be done.

Although reporting by non-bank institutions, such as gaming entities, investment intermediaries, notaries and leasing companies has increased, it continues to be low. The Financial Intelligence Directorate conducts a quarterly risk analysis, which serves as a basis for scheduling onsite inspections. However, due to staffing constraints, the number of inspections is limited.

There is considerable remittance flow from emigrants working abroad who send money to their families in Bulgaria. While the magnitude of remittances is hard to measure it is believed that most enter the country either in cash or through official channels. For the most part, Bulgarian officials have turned a blind eye to underground remittance systems such as hawala. Yet in one

case in April 2012, a Syrian national purportedly affiliated with hawala transfers was arrested and charged with illegal banking activity.

The GOB did not identify, freeze, seize, or forfeit any terror-related assets.

## Burkina Faso

Burkina Faso is not a regional financial center. Its 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, narcotics trafficking, smuggling, contraband, and black market currency transfers occur within the country and in the surrounding region. Corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are also major challenges.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** The Public Treasury, Central Bank of West African States (BCEAO), banks and micro-finance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, non-governmental organizations (NGOs), and agents selling high value goods and precious metals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 22: January 1 - September 30, 2012
***Number of CTRs received and time frame:*** 0
***STR covered entities:*** The Public Treasury, BCEAO, banks and micro-finance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, NGOs, and agents selling high value goods and precious metals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 10: December1, 2011 - September 30, 2012

***Convictions:*** 0

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

Burkina Faso is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Burkina%20Faso.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, Burkina Faso made notable progress in strengthening its anti-money laundering/combating the financing of terrorism (AML/CFT) regime, including by validating the country's AML/CFT Strategy and Action Plan, operationalizing its inter-ministerial coordinating committee, and appointing a magistrate to handle AML/CFT-related matters in the Ouagadougou Prosecution Office. CENTIF, Burkina Faso's financial intelligence unit (FIU), procured computer equipment, recruited three senior officials, organized capacity-building programs for reporting entities, prepared guidelines for the completion of STRs, and began analyzing STRs.

The Government of Burkina Faso (GOBF) continues to cooperate with regional and global counterterrorism efforts. Records exchange with countries outside of the West African Economic and Monetary Union is possible via bilateral agreement. CENTIF is open to exchanging information with counterpart FIUs on a reciprocal basis.

The GOBF should continue its efforts to address the deficiencies in its AML/CFT regime, including by implementing provisions aimed at compelling financial institutions to conduct customer due diligence in line with applicable international standards and putting in place a structure to monitor compliance with UNSCRs 1267 and 1373. The GOBF should increase CENTIF's resources and analytical staff. There is currently little enforcement and no formal method for tracking the movement of goods or money into or out of the country at either land or air ports of entry. The GOBF should train customs officials to identify smugglers and cash couriers.

## Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped and its historically isolated banking sector has just started taking tentative steps to connect to the international financial system. However, Burma's prolific drug production, relationship with the North Korean government, the growing use of credit/debit cards connected to international financial institutions and lack of transparency make it attractive for domestic and possibly international money laundering. While its underdeveloped economy remains unattractive as a destination to harbor funds, the low risk of enforcement and prosecution makes it appealing to the criminal underground. Trafficking in persons and public corruption are also major sources of

illicit proceeds. Additionally money launderers exploit the illegal trade in wildlife, gems, and timber; and trade-based money laundering is of increasing concern.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. However, Burma's level of poppy cultivation is considerably lower than in the peak during the 1980s and 1990s. Burma's long, porous borders are poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions, and in some cases armed conflict, impede government territorial control. In other areas, political arrangements between traffickers and Burma's government allow organized crime groups to function with minimal risk of interdiction. The Government of Burma (GOB) considers drug enforcement secondary to security and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups.

Corruption is endemic in both business and government. State-owned enterprises and military holding companies control a substantial portion of Burma's resources, although there is a continued push for the privatization of more government assets. China, Japan and the United Arab Emirates have recently provided large amounts of investment which increase corruption and illicit activities. The privatization process provides potential opportunities for graft and money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Over the past several years, the GOB has enacted several reforms intended to reduce vulnerability to drug money laundering in the banking sector. However, connections to powerful patrons still outweigh rule of law, and Burma continues to face significant risk of drug money being funneled into commercial ventures. There are at least five casinos that operate, including one in the Kokang special region near China; however, little information is available about the regulation or scale of these institutions.

In July 2012, the United States eased economic sanctions related to new U.S. investments in Burma and the exportation of financial services to Burma. In November 2012, the ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310 was also eased to a large extent. However, U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force.

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

In its October 2012 Public Statement, the Financial Action Task Force (FATF) notes that Burma has taken steps to improve its AML/CFT regime, including by removing its reservations to the extradition articles of several international conventions. However, FATF expressed concern that Burma has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies. The United States continues to issue advisories to

financial institutions, alerting them of the risk posed by Burma's AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 97: January 1 to October 31, 2012
***Number of CTRs received and time frame:*** 172,559: January 1 to October 31, 2012
***STR covered entities:*** Banks (including bank-operated money changing counters); GOB bodies such as the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department and Ministry of Mines; state-owned insurance company and small loans enterprise; securities exchange; accountants, auditors, the legal and real estate sectors; and dealers of precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Burma's financial sector is extremely underdeveloped and most currency is held outside the formal banking system. The informal economy generates few reliable records, and the GOB makes no meaningful efforts to ascertain the amount or source of income or value transfers.

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

Burma does not specifically criminalize terrorist financing or designate it as a predicate offense for money laundering, nor is terrorist financing an extraditable offense. Burma should continue implementing its action plan in order to address these and other deficiencies, including by passing the draft Counter Terrorism Law (finalized in October 2012) that will criminalize terrorist financing, establish procedures to identify and freeze terrorist assets, and further strengthen the extradition framework for terrorist financing.

Government workers do not receive a living wage and routinely seek bribes as additional "compensation." Efforts to address the rampant corruption are impeded by the military's influence over civilian authorities, including the police, especially at the local level. The GOB should end all policies that facilitate corrupt practices and money laundering, including strengthening regulatory oversight of the formal financial sector and strengthening CDD measures in the 2002 Control of Money Laundering Law. The financial intelligence unit should become a fully funded independent agency that functions without interference, and the GOB should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The GOB also should move the CB from under the operational control of the Ministry of Finance and make it an operationally independent entity.

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

## Burundi

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** Not available
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Not available

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 0
***Number of CTRs received and time frame:*** 0
***STR covered entities:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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

There are significant problems that deter effective AML/CFT efforts. Although laws exist, there appears to be little political will to prosecute or commit the resources to investigate crimes, particularly those that could implicate high-level government officials. Burundi is listed 165 out of 176 countries surveyed in Transparency International's 2012 International Corruption Perception Index. Burundian law enforcement officials lack training and expertise in investigating financial crimes. The GOB should develop an oversight capability and provide sufficient resources, funding, and training to the FIU and the FCU.

On May 24, 2012, the GOB became a party to the United Nations Convention against Transnational Organized Crime. Burundi should become a party to the International Convention for the Suppression of the Financing of Terrorism, and take steps toward becoming a member of an FSRB.

## Cambodia

Cambodia is neither a regional nor an offshore financial center. Several factors, however, contribute to Cambodia's significant money laundering vulnerability. These include Cambodia's weak and ineffective anti-money laundering regime; cash-based, dollarized economy; fast-growing formal banking sector and active informal banking system; porous borders; loose oversight of casinos; and limited capacity to oversee the fast growing financial and banking industries through the National Bank of Cambodia. A weak judicial system and endemic corruption are additional factors negatively impacting enforcement.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of methamphetamine. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, and other forms of property without passing through the formal banking sector. Casinos along the borders with Thailand and Vietnam also are another potential avenue to convert ill-gotten cash.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; NGOs and foundations

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 58: January - October 2012
***Number of CTRs received and time frame:*** 778,408: January - October 2012
***STR covered entities:*** Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post offices offering payment transactions; lawyers, notaries, accountants,

auditors, investment advisors and asset managers; casinos and gambling institutions; NGOs and foundations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0: January - October 2012
***Convictions:*** 0: January - October 2012

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

Cambodia is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In July, the Government of Cambodia (GOC) signed a memorandum of understanding with the Japan Financial Intelligence Center, formalizing a mechanism for anti-money laundering/counter-terrorist financing (AML/CFT) information sharing.

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or terrorist financing until courts have decided the case, but the AML/CFT regime lacks a clear system for identifying, seizing, and sharing assets with foreign governments. Furthermore, although Cambodia has the legal ability to identify and freeze terrorist assets, the GOC should establish and implement adequate procedures to perform this function. The GOC should adequately criminalize money laundering and terrorist financing; establish and implement adequate procedures for the confiscation of funds related to money laundering; ensure a fully operational and effectively functioning financial intelligence unit (FIU); and establish and implement effective controls for cross-border cash transactions. Given the high level of corruption, the GOC also should require enhanced due diligence for domestic politically exposed persons (PEPs).

The primary enforcement and implementation issues involve the willingness and ability of commercial bankers to comply with, and law enforcement to enforce, money laundering laws and regulations. The GOC should work to increase the reporting of STRs and increase the capability of the nascent and understaffed FIU. The FIU's effectiveness is severely limited by the inability of the FIU to receive reports in an electronic format, to store received reports in an electronic database, and to perform systematic analyses on the electronic database. This is compounded by the paucity of reports received from reporting entities, probably due to the lack of credible regulatory enforcement. Effectiveness is further limited by the practice of sending analyses exclusively to Cambodia's Interpol National Central Bureau rather than directly to relevant law enforcement bodies.

The law on AML/CFT excludes pawn shops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of

the law. In April 2012, the GOC issued a sub-decree to establish a National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), as a permanent and senior-level coordination mechanism for preventing and controlling money laundering and terrorist financing in Cambodia. The NCC has the authority to coordinate with all stakeholders and to make decisions on the prevention and control of money laundering and terrorism financing in Cambodia. The key role of the NCC is to ensure the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT efforts. It is too early to tell what effect this committee will have on the country's AML deficiencies.

The GOC should work to strengthen control over its porous borders. Cambodia should design and implement effective operational procedures both within affected agencies as well as among agencies, and measure the effectiveness of these procedures on an ongoing basis. It must also provide training to increase the capacity of commercial banks, law enforcement agencies, and regulatory bodies, as well as empower law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

## Cameroon

Cameroon's growing financial sector is the largest in the Economic and Monetary Community of Central African States (CEMAC). Despite numerous banks, insurance companies, micro financial institutions, and a nascent stock exchange, Cameroon is still relatively disconnected from the international financial system. Only a small portion of the population has bank accounts and the majority of financial transactions occur in cash. Many of the financial crimes occurring in Cameroon derive from domestic corruption, tax evasion and embezzlement. In recent years, authorities have begun to suspect offshore transfers in some corruption cases, and the use of real estate to launder money has grown. Cameroon is not a major narcotics destination.

Terrorist activity in neighbouring countries, illicit wildlife trafficking, and maritime piracy present vulnerabilities and their proceeds may facilitate the movement and activities of terrorists and drug trafficking organizations. Instability in neighbouring countries and the use of a common currency have resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Cameroon's economy is heavily cash dependent. Trade-based money laundering is rampant, utilizing the banking system or microfinance institutions. Cameroon is particularly vulnerable to the abuse of cross-border bulk currency movements and exploitation by/of companies transferring money internationally. Most foreign currency transactions are in euros or dollars.

As a member of CEMAC, Cameroon shares a regional Central Bank, Bank of the States of Central Africa (BEAC), with other member countries. Members have ceded banking regulatory sovereignty to CEMAC.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 147 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** The treasuries of CEMAC member states; BEAC; banks and financial institutions; insurance brokers and firms; manual money changers; managers, directors and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Cameroon is a member of the Action Group against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a Financial Action Task Force-style regional body (FSRB). A mutual evaluation for Cameroon has not yet been published.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Cameroon (GOC) should continue to work with regional groups and the National Financial Investigations Unit (ANIF), Cameroon's financial intelligence unit (FIU), to

fully develop and implement regulations to establish a complete anti-money laundering/counter-terrorist financing regime that comports with international standards. ANIF has conducted several training sessions during the past two years, including a recent training session for money changers in October 2012, as well as annual working sessions and meetings with banks and microfinance institutions. It also should work to improve coordination with law enforcement and judicial authorities with the objectives of enhancing investigations, obtaining convictions, and tracking law enforcement statistics.

Cameroon's Ministry of Justice does not keep statistics on prosecutions and convictions for financial crimes. The Ministry of Justice should begin tracking cases more closely and providing closer cooperation with ANIF to improve STR information gathering. The Ministry of Justice should explore training needs for prosecutors and magistrates. The GOC also should continue to work toward implementing cross-border currency reporting requirements and training its agents at points of entry in the identification FSRB.

## Canada

Money laundering activities in Canada are primarily a product of illegal drug trafficking and financial crimes, such as credit card and securities fraud. The criminal proceeds laundered in Canada derive primarily from domestic activity which is controlled by drug trafficking organizations and organized crime.

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers/agents; agents of the Crown; money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 70,392 in 2012
***Number of CTRs received and time frame:*** 35,026 in 2012
***STR covered entities:*** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; money services businesses; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 180 in 2011
***Convictions:*** 18 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Canada is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.fatf-gafi.org/countries/a-c/canada/documents/mutualevaluationofcanada.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorist financing activities, but a weak enforcement and conviction capability. A report released in June 2012, by the Canadian Centre for Justice Statistics found that actual suspects were identified in only 20% of reported money laundering cases and convictions were obtained in only one third of those cases. Industry experts cite several reasons for the problem: privacy rules that prevent Canada's financial intelligence unit, the Financial Transaction Reports Analysis Centre of Canada (FINTRAC), from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors who often plea bargain away difficult money laundering cases, instead prioritizing drug trafficking charges since they are viewed as having a stronger likelihood of conviction.

In Canada, the possession of proceeds of crime is a criminal offense under the Criminal Code which would be considered money laundering. A maximum term of imprisonment of 10 years applies to both money laundering convictions and possession of crime proceeds convictions involving more than $5,000. As such, possession of proceeds of crime is not considered to be a lesser offense and is equally effective in pursuing criminals and forfeiting their illicit assets.

Deficiencies were identified in Canada's anti-money laundering/counter-terrorist financing (AML/CFT) regime relating to its customer due diligence obligations. The Government of Canada published proposed regulations amending the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations in October 2012, in order to address those deficiencies. The proposed changes would require reporting entities to better identify customers and understand

their business, consequently enabling the reporting entities to identify transactions and activities that are at greater risk for money laundering or terrorist financing. The final regulations will go into effect one year after publication.

Canada should continue its work to strengthen its AML/CFT measures within the casino industry and reduce the length of time needed for FINTRAC to prepare reports used by law enforcement authorities. Canada also should continue to ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

## Cape Verde

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

While smuggling along Cape Verde's island coastlines remains a concern, there is no significant market for illicit or smuggled goods in Cape Verde. Most drugs are destined for other markets. As a result of drug trafficking, the formal financial sector may be involved in money laundering, but there is no evidence that it finances terrorism. Public corruption is limited and does not appear to contribute to money laundering in Cape Verde.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers and securities dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers and securities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 14: January 1 – September 30, 2012
***Convictions:*** 0

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

Cape Verde is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Cabo%20Verde.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Limited resources hamper the government's ability to enforce anti-money laundering regulations, and local institutions are often unaware of their reporting responsibilities. Both Cape Verdean government officials and international experts have found Cape Verde's Financial Information Unit (FIU) deficient in terms of its regulatory framework. In 2012 those findings led to Decree-Law No. 9/2012, which extends the powers of the FIU and transfers its physical structure from the Central Bank to the Ministry of Justice. However, the FIU still lacks adequate human and financial resources to effectively implement all its functions, particularly the proper identification and analysis of suspicious transactions. For statistical purposes, CTRs and STRs are not differentiated; a total of 260 reports were received between January 1 and September 30, 2012.

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

## Cayman Islands

The Cayman Islands, a United Kingdom (UK) Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of

trusts, and company formation and management. As of September 2011, the banking sector had $1.60 trillion in assets. There are more than 92,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, at the end of December 2012, there were 226 banks, 143 active trust licenses, 741 captive insurance companies, six money service businesses, and 10,841 registered mutual funds, of which 408 were administered and 121 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal; nor does the Cayman Islands permit the registration of offshore gaming entities. There are no free trade zones, and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 406: July 1, 2011 - June 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 6: Time frame unknown
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_(Final)_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While the Cayman Islands has increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector.

Registered agents of private trust companies are obligated to maintain ownership and identity information for all express trusts under their control. International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. In addition, there remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. There also is a need to pay greater attention to the risks and proper supervision of non-profit organizations.

The regulation of Master Funds (numbering 1,849 as of September 2012) under the Mutual Funds Law (2012 Revision) reduced the estimated number of unregulated funds. There is a fine for not maintaining identity information.

The Cayman Islands continues to develop its network of exchange of information mechanisms. The Cayman Islands has signed additional tax information exchange agreements with Argentina, China, and Guernsey. The Cayman Islands now has a network of 27 information exchange agreements, with 24 of those already in force.

The Cayman Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any Convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995, and is implemented through several laws. The UN Convention against Transnational Organized Crime was extended to the Cayman Islands on May 17, 2012. The UN Convention against Corruption has not yet been extended to the Cayman Islands; however, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not been finalized by the UK, although the provisions of the Convention also are implemented by domestic laws.

## Central African Republic

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based and enforcement of existing anti-money laundering laws is weak. Widespread corruption permeates commerce and government.

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

Smuggling of contraband including diamonds and weapons is believed to occur across the unsecured border areas with Chad and Sudan, while undocumented trade across the river with the Democratic Republic of Congo involves primarily domestic or agricultural goods. CAR's weak security forces have limited presence and lack the ability to prevent cross-border activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Public treasuries, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

***REPORTING REQUIREMENTS:***

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

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The CAR is a member of the Economic and Monetary Community of Central Africa (CEMAC) and shares a regional bank (BEAC) with other members. In addition to BEAC and CEMAC, CAR adheres to the regulations of the Banking Commission of Central Africa.

Oversight and enforcement of regulations is lax in most areas of governance in the CAR. The CAR lacks the capacity and political will to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies. The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. Insufficient data and transparency make it difficult to assess the effectiveness of the CAR's anti-money laundering efforts.

The CAR is ranked 144 out of 176 countries in Transparency International's 2012 Corruption Perception Index.

## Chad

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

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

Chad does not have a significant illegal drug market. There is no indication that smuggling of household goods is financed by proceeds from narcotics or other illegal activities. Illicit proceeds do not appear to enter Chad's formal financial system. However, there is little quantitative information available on these activities or their financing.

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Public treasuries, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 9: January 1 – August 31, 2012
***Number of CTRs received and time frame:*** 0
***STR covered entities:*** Public treasuries, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 5: January 1 – August 31, 2012
***Convictions:*** 5: January 1 – August 31, 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although COBAC engages with financial institutions and is charged with enforcing customer due diligence procedures, Chad's banking sector is under-regulated. Chad's National Financial Investigative Agency (ANIF), Chad's financial intelligence unit, faces serious resource constraints, and law enforcement and customs officials need training in financial crimes enforcement. Financial intelligence reporting and analysis is limited. Chad does not have cross-border currency reporting. Chad agreed to assist in one U.S. investigation in 2012.

Chad was ranked 165 out of 176 countries in Transparency International's 2012 Corruption Perception Index. Chad should become a party to the UN Convention against Corruption.

## Chile

Chile has a large and well developed banking and financial sector with an established anti-money laundering/counter-terrorist financing (AML/CFT) regime. Systematic vulnerabilities in Chile's regime include stringent bank secrecy laws and relatively new regulatory institutions in which

oversight gaps remain. Increased trade and currency flows, combined with an expanding economy, could attract illicit financial activity and money laundering. Limited incidences of public corruption demonstrate no significant link to money laundering or terrorist financing.

Given Chile's extensive trading partnerships and long borders, its largely unregulated free trade zones are additional vulnerabilities. While in the past there appeared to be no significant market for illicit or smuggled goods in Chile, there have been recent seizures of counterfeit goods in Iquique and Valparaiso by Chilean Customs officials.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, credit unions, pension funds, mutual fund administrators, securities brokers and dealers, leasing and factoring companies, credit card issuers and operators, insurance brokers and companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 854: January 1 - September 30, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks; savings and loan associations; financial leasing companies; general, mutual, and investment fund managers; pension fund administration companies; the Foreign Investment Committee; money exchange firms and other entities authorized to receive foreign currencies; factoring operations; credit card issuers and operators; securities brokers and agents; money transfer and transportation companies; stock exchanges; insurance companies; forwards and options market operators; tax-free zones' legal representatives; casinos, gambling houses and horse tracks; customs general agents; auction houses; realtors and land developers; notaries and registrars; and sports clubs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 251: January 1 - September 30, 2012
***Convictions:*** 47: January 1 - November 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Chile is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.gafisud.info/documentos/eng/evaluaciones_mutuas/Chile_3ra_Ronda_2010.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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

Furthermore, contraband, intellectual property rights violations, and income tax evasion are not considered criminal offenses. Therefore, these illegal activities cannot be used as predicate offenses in money laundering investigations. These omissions can impose limitations in the prosecution of financial crimes.

The GOC should continue to improve its AML/CFT regime by establishing regulatory control over non-bank institutions, such as money exchange houses and charities. Additionally, the GOC should pass the draft law currently pending in the Senate to allow for the lifting of bank secrecy and the freezing of terrorist assets to bring Chile closer to compliance with its UNSCR 1267 and 1373 obligations. Additionally, the GOC should amend its anti-money laundering legislation to cover all predicate offenses noted in the international standard.

## China, People's Republic of

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal and terrorist networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via methods that include: bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets such as real estate; the investment of illicit funds in lawful sectors;

gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems.

Most money laundering cases currently under investigation involve funds obtained from corruption, fraud, drug smuggling, and bribery. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fund raising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities have also observed that money laundering crimes are spreading from the developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

China is not considered a major offshore financial center. However, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and over 100 designated development zones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and credit unions, securities dealers, insurance and trust companies; financial leasing and auto finance companies; and currency brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 61,852,018 in 2010
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, securities and futures institutions, and insurance companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 11,380 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

China is a member of the Financial Action Task Force (FATF), as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/33/11/39148196.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While China's October 2011 legislation has addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies remain to be addressed. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions.

The Government of China (GOC) has strengthened its preventative measures, with an emphasis on requiring financial institutions to collect and maintain beneficial ownership information, and to make the STR reporting regime more comprehensive. China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how anti-money laundering/counter-terrorist financing (AML/CFT) tools can be used to support the investigation and prosecution of a wide range of criminal activity.

The GOC should ensure all courts are aware of and uniformly implement the mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and the Public Prosecutors are authorized to take provisional measures to seize or freeze property in question in order to preserve the availability of the same for later confiscation upon conviction. At present, although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of assets of equivalent value. Confiscation is conviction based, while civil forfeiture is unavailable.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. law enforcement agencies note the GOC has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement-based cooperation, the GOC's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S. - China cooperation in asset freezing and confiscation. Such unwillingness and failure to provide seizure and forfeiture assistance increases the likelihood of the U.S. resorting to unilateral measures in cases where criminal forfeiture has been unavailable as no known defendants can be identified or returned to the U.S. for prosecution, thereby making civil forfeiture the only viable means to recover the criminal proceeds located in China.

The GOC should expand cooperation with counterparts in the United States and other countries, and pursue international AML/CFT linkages more aggressively. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both

policy and operational level cooperation in this critical area. While China continues to make significant improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation remains lacking, particularly in the context of international cooperation.

## Colombia

The Government of Colombia (GOC) has a forceful anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the laundering of money from Colombia's illicit cocaine and heroin trade continues to penetrate its economy and affect its financial institutions. Laundered funds are derived from commercial smuggling for tax and import duty evasion; kidnapping; arms trafficking; and terrorism connected to violent, illegally-armed groups (known as bandas criminales or BACRIM) and U.S. government-designated terrorist organizations, like the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN), operating locally and regionally. Official corruption and the growth of illegal mining have also aided money laundering and terrorist financing in geographic areas controlled by both the FARC and the BACRIM. It is reported that drug and money laundering groups have influenced high-level bank officials, especially in the stock brokerage market, in order to circumvent both established AML controls and government regulations. Colombian money brokers, primarily concentrated in Bogota, but also in Medellin and Cali, are additional actors that facilitate money laundering activities.

Smuggled merchandise remains a source for money laundered through the financial system. It occurs via trade and the non-bank financial system and is visible through Colombian criminal organizations with connections to financial institutions in Mexico, China, Ecuador, Peru, Panama, and Venezuela. This trend grew exponentially in recent years. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad, often Mexico. Many of the goods are either smuggled into Colombia via Panama or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs, and customs duties. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated through corruption of Colombian oversight authorities.

Casinos, the postal money order market, bulk cash smuggling, wire transfers, remittances, the securities markets in the U.S. and Colombia, electronic currency, prepaid debit cards, and illegal mining all are being utilized to repatriate illicit proceeds to Colombia. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds.

Free trade zones (FTZs) in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency. Colombia's FTZ law opens investment to international companies, allows one-company or stand-alone FTZs, and permits the designation of pre-existing plants as FTZs. As of October 2012, there are 104 FTZs in Colombia. Companies within FTZs enjoy a series of benefits such as a preferential corporate income tax rate and exemption from customs duties and value-added taxes on imported materials. The Ministry of

Commerce administers requests for establishing FTZs, but the government does not participate in their operation.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries (customs brokers), credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, gold dealers, foreign currency traders, sports clubs, cargo transport operators, and postal order remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4,842: January through August 2012
***Number of CTRs received and time frame:*** 7,943,732: January through August 2012
***STR covered entities:*** Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 97 in 2012
***Convictions:*** 80 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Colombia is a member of the Financial Action Task Force in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/pdf/InformedeEvaluacinMutuaRepblicadeColombia_1.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The President takes a hard line on corruption and demonstrates a serious intent to punish corrupt officials at all levels. The President also has directed the Colombian National Police to assign more resources to illegal mining activities throughout Colombia.

The Government of Colombia (GOC) continues to make progress in the development of its financial intelligence unit (FIU), regulatory framework, and interagency cooperation within the government. Placing greater focus and priority on money laundering and terrorist financing investigations, including increasing resources and training, is necessary to ensure continued and improved progress. Congestion in the court system, procedural impediments in the asset forfeiture prosecutions, and corruption remain problems that should be addressed. While the GOC still should take steps to foster better interagency cooperation, including improved case coordination between the Unidad Aministrativa Especial de Información Análisis Financiero (UIAF), Colombia's FIU, and the Colombian National Police's specialized judicial police units, Colombia stands out as a regional leader in the fight against money laundering and terrorist financing and is a key part of a Regional FIU Initiative.

The DIAN, Colombia's Tax and Customs Authority, regulates activities and materials in FTZs, and there are identification requirements for companies and individuals who enter or work in the FTZs. The current administration is revising the FTZ and tax exemption scheme.

The Government of Colombia tried to pass a law in 2012 that would allow money to be transferred electronically through cell phones. After over two months in Congress, and due in part to a procedural misstep in April 2012, the e-money law did not pass to a vote. In general, banks were concerned with the proposal, which lacked sufficient controls and an enhanced regulatory framework to avoid potential problems.

In September 2012, the Ministry of Foreign Affairs, the Fiscalia General, and the Treasury Ministry's Financial Superintendency and UIAF signed an interagency memorandum of understanding (MOU) to allow for coordination and implementation of the Colombian government's authority to block assets of individuals and entities on the UN 1267 and UN 1373 Sanctions Committees' consolidated lists and to freeze the funds of designated terrorists, terrorist financiers, and terrorist groups. The MOU gives legal authority to the Fiscalia to implement the necessary seizure orders against the assets of individuals and entities on the UN 1267 Sanctions Committee's consolidated list and provides administrative authorities to the Ministry of Foreign Affairs, the Financial Superintendency, and UIAF to provide the relevant UN orders and supporting information to the Fiscalia to assist it to locate and freeze any identified assets in Colombia.

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

and money laundering cases to expedite the judicial process. The GOC is currently working on a revision of its asset forfeiture law. Key steps to the new streamlined approach include one expedited personal notification about forfeiture (at present, notifications can take up to six months or two years), the ability to notify and seize at the same time, and elimination of the appellate hierarchy that currently allows three opportunities to appeal. An important component will be a provision to allow Colombian courts to enforce asset forfeiture judgments of foreign courts without needing to resort to the current lengthy process. This law is slated to reach Congress during its next session in February 2013.

## Comoros

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, mutual savings and loans, microfinance institutions, money remitters, real estate agents, lawyers, notaries, accountants, casinos, and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, mutual savings and loans, microfinance institutions, money remitters, insurance companies, real estate agents, lawyers, notaries, accountants, company and trust service providers, and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

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

Comoros is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Comoros remains a significantly underdeveloped country with little financial intermediation or sophistication. Comoros has introduced a number of measures to establish an anti-money laundering/combating the financing of terrorism (AML/CFT) regime, including Parliament's adoption of a new AML/CFT bill in June 2012.

Comoran efforts to enforce AML/CFT regulations are hampered by insufficient resources and training, lack of capacity in government ministries, corruption, and a weak judiciary. Comoran government security forces have limited resources and lack AML/CFT training. There have been no investigations or convictions for money laundering or terrorist financing.

While the law on economic citizenship permits citizenship to those who have been convicted of money laundering or drug trafficking, among other crimes, authorities state they have implemented strict control measures intended to prevent abuses.

Comoros is ranked 133 out of 176 countries in Transparency International's 2012 International Corruption Perception Index. On October 11, 2012, Comoros became a party to the UN Convention against Corruption.

## Congo, Democratic Republic of

The Democratic Republic of Congo (DRC) is not considered an important regional financial center, but its porous borders and weak law enforcement capability make it an important money laundering conduit. Due to its large geographic size, lack of a functional judicial system, and dominant informal sector, the DRC is particularly vulnerable to money laundering. The DRC covers nearly a million square kilometers (400,000 sq. mi) and has 7,000 km of porous borders with nine countries. State authority and administration are weak because of the country's vast geographic territory and dilapidated infrastructure, among other challenges. Most economic activity in the DRC takes place in the informal sector, estimated to be up to ten times the size of the formal sector, with most transactions, even those of legitimate businesses, carried out in cash. The accurate reporting of revenues is thus very difficult.

Inefficient and burdensome customs and tax policies and chronically low public sector salaries encourage a climate of bribery and clandestine transactions, especially in import/export activities and mineral sales. Customs and tax fraud, tax evasion, misappropriation of public funds, the sale of prohibited products and services, and illegal exploitation of minerals and other valuable materials are common. Casinos and smuggling of gold, diamonds, and weapons also are important sources of untracked money. Gold and diamonds are extensively mined in and routinely smuggled out of the DRC, and most of those cash transactions take place in dollars. The DRC's economy remains highly dollarized, and its parallel foreign exchange market is large and tolerated by the government. There is a preponderance of currency in all financial transactions. The DRC does not have any free ports or areas designated as free trade zones.

The DRC is subject to UN, U.S., and European Union sanctions, including an arms embargo, and travel bans and asset freeze orders against members of militia and rebel groups.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 157 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, sellers of works of art, antiques and precious stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 0

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Banks and non-banking financial institutions are required to report all transactions over $10,000 to CENAREF, the DRC's financial intelligence unit. CENAREF is responsible for collecting and analyzing information on money laundering (ML) and terrorist financing (TF) cases. CENAREF also investigates persons accused of ML and TF, conducts periodic studies on these subjects and advises the Government of the Democratic Republic of the Congo (GDRC) on how to combat ML and TF. In 2012, CENAREF expressed interest in signing a memorandum of understanding with U.S. Treasury's FinCEN to increase bilateral cooperation.

Limited resources hamper the GDRC's ability to enforce anti-money laundering (AML) regulations, and local institutions and personnel lack training and capacity to fully enforce the law and its attendant regulations. Lack of funding continues to prevent CENAREF from fully carrying out its responsibilities. A weak judicial system also impedes enforcement of AML regulations. There is a strong perception that CENAREF is not empowered to investigate businesses and transactions if the investigations might adversely impact the economic interests of high-level Congolese officials and ruling elites. The DRC is ranked 160 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index.

The GDRC should pursue membership in a FSRB.

## Congo, Republic of

The Republic of the Congo (ROC) is not a major regional financial center nor is it a major narcotics destination or source country. The port city of Pointe Noire is frequently utilized as a transit point for narcotics moving north to Europe. Most financial crimes involve domestic corruption and embezzlement. The Bank of Central African States (BEAC), a regional Central Bank serving six Central African countries, serves as the central bank for the ROC. BEAC conducts the Economic Intervention Service which harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC). The BEAC supervises the ROC's banking system, though evidence shows not particularly closely. The nontransparent banking system is one of the country's fastest-growing industries. Anti-money laundering/counter-terrorist financing (AML/CFT) supervision, regulation, and enforcement are weak and have not kept up with the rapidly expanding public and private financial activities in the country. The capital city of Brazzaville lies directly across the Congo River from the Democratic Republic of the Congo's capital Kinshasa, where U.S. currency is common. The ease and frequency of river crossings contribute to widespread

smuggling. The ROC's economy is heavily cash dependent, relying very little on electronic transfers and checks. Laundering money through investment in real estate is reportedly a growing problem.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** Not available
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, money exchangers, accountants, notaries, thrifts and money remitters

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

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

The ROC is a member of the Central African Action Group against Money Laundering (GABAC), an entity in the process of becoming a Financial Action Task Force-style regional body. The ROC has not had a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

As a member of the CEMAC, the Government of the Republic of the Congo (GOC) adopted the community's regional AML/CFT framework. These rules establish penalties for money laundering and terrorist financing, and also regulate the operations of banks, money changers, and casinos. The GOC does not offer public AML/CFT reports and statistics. Congolese law

does allow information sharing with foreign counterparts on a reciprocal basis, and the Congolese are willing to cooperate on international law enforcement matters.

The National Financial Investigation Agency (ANIF), which reports directly to the Presidency, is a special committee to handle both corruption and money laundering issues. Suspicious transaction reports (STRs) are reported directly to a special commission at the BEAC, which under the current system then forwards reports to ANIF. It is not clear whether this occurs consistently.

Despite improvement in recent years, transparency and corruption remain significant problems in the ROC. For example, during 2010, the ROC was discovered to have diverted reserves required to be deposited in the BEAC to several Chinese bank accounts. The International Monetary Fund discovered the illegal fund transfer and called for a repatriation of these funds to the BEAC. The ROC complied in mid-2011, but evidence suggests that additional diversions have since occurred. Several ROC officials are former well-placed BEAC officials, and there are concerns that the embezzlement scandals at the BEAC between 2004 and 2008 involved current ROC officials. The ROC is ranked 144 of 176 countries on Transparency International's 2012 Corruption Perception Index.

The GOC has established an AML/CFT regime but its institutions are staffed with poorly-trained or corrupt officials, or are not given sufficient enforcement authority. This is particularly worrisome as the ROC has recorded record oil profits for several consecutive years. Embezzlement and other illicit financial activities will undoubtedly become more complex and clandestine.

The GOC should take steps to decrease corruption and increase the capacity of investigators and ANIF staff. The GOC also should enact legislation to ensure all STRs are sent to ANIF and that reporting, investigation and prosecution statistics are published regularly. The GOC should become a party to the UN Convention against Transnational Organized Crime.

## Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The Cook Islands substantial offshore financial sector is an important part of the country's economy but also represents its most significant vulnerability to money laundering and terrorist financing activities. The Government of the Cook Islands (GOCI) has taken steps to reduce the risks presented by both the offshore sector and its small domestic financial sector.

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 47 in 2012
***Number of CTRs received and time frame:*** 2,226 in 2012
***STR covered entities:*** Banks (domestic and offshore), offshore insurers, and trustee companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 1 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

The Cook Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Cook%20Islands%20MER-%20final%20140809.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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

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

On October 17, 2011, The Cook Islands became a party to the UN Convention against Corruption.

## Costa Rica

Proceeds from international cocaine trafficking represent the most significant source of assets laundered in Costa Rica. The Costa Rican-based internet gaming industry also launders millions of dollars in illicit proceeds through Costa Rica and offshore centers annually. Proceeds from domestic criminal activities, including narcotics trafficking, financial frauds, human trafficking, corruption and contraband smuggling, are also laundered in Costa Rica. The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used by foreign organizations as a bridge to send funds to and from other jurisdictions using bulk cash shipments and companies or financial institutions located offshore.

Criminal organizations utilize financial institutions, licensed and unlicensed money remitters, and the free trade zones (FTZs) to launder the proceeds of their illicit activities. The money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. The smuggling of bulk currency across borders with Panama and Nicaragua is also prevalent. Trade-based money laundering, while used, is not detected with the same frequency as the above typologies. There is no recent investigation related to terrorism financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry and

precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 186: January 1 – November 19, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 3: January 1 – November 19, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Costa Rica is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body.
Its most recent mutual evaluation can be found here: http://www.gafisud.info/eng-evaluaciones.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOCR made substantial progress enhancing its anti-money laundering (AML) regime through modifications to the legal and regulatory frameworks. Additional AML regulations for financial institutions and designated non-financial businesses and professions (DNFBPs) were implemented in 2012. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information.

However, various obstacles still exist that prevent the GOCR from effectively investigating and prosecuting money laundering crimes. Underutilized investigative tools, such as cooperating witnesses, confidential informants, electronic surveillance, and undercover operations reduce the ability of investigators to pursue these investigations. Costa Rica enacted a non-conviction based asset forfeiture law in 2009. However, the GOCR has not successfully pursued a case under this law, and it will likely need to be reformed. Costa Rican law does not contemplate the sharing of forfeited assets with other countries.

Pursuant to an interpretation of Costa Rican law, money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). This practice diminishes the

independent nature of the offense and greatly reduces the amount of potential money laundering prosecutions. In addition, criminal liability does not extend to legal persons.

The unregulated online gaming and casino industries pose significant risks for money laundering. The legislature rejected proposed provisions to create a regulatory body when it passed a recent gaming bill. It is difficult for the GOCR to verify the source of funds used for local real estate purchases on behalf of foreign buyers.

## Cote d'Ivoire

Following a civil war and a nine-year political/military crisis during which the country was effectively split in two, a new government was formed on May 6, 2011. Ivoirian authorities remain concerned about illegal international transfers of funds by the elite of the previous regime during the prolonged crisis. In November 2011, former President Laurent Gbagbo was extradited to the International Criminal Court in The Hague, where he awaits confirmation of charges of crimes against humanity. The current Government of Cote d'Ivoire (GOCI) has since demonstrated its desire to make progress on its anti-money laundering/counter-terrorist financing (AML/CFT) regime.

A legacy of poor governance in combination with the civil war resulted in weak government systems that face serious challenges in implementing and enforcing the rule of law. Ivoirians continue to be involved in regional criminal activities such as the smuggling of consumer goods and agricultural products, reportedly as part of networks organized by nationals of Nigeria and the Democratic Republic of the Congo, and in the subsequent laundering of illicit funds. Smuggling over Cote d'Ivoire's porous borders, motivated principally by a desire to avoid taxes, generates illicit funds that are primarily laundered via informal value transfer systems, such as money services businesses and exchange houses. In addition, Ivoirian authorities believe criminal enterprises use the formal banking system and the used car and real estate industries to launder funds. Hezbollah is present in Cote d'Ivoire and conducts fundraising activities, mostly among the large Lebanese expatriate community in the country. The potential use of Ivoirian territory as a transshipment point for drugs from South America to Europe concerns law enforcement officials.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, post offices, deposit and consignment offices, microfinance institutions, chartered manual exchangers, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, and fixed capital investment companies

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 51 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, exchange houses, stock brokerage firms, post offices, deposit and consignment offices, microfinance institutions, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, fixed capital investment companies, the Public Treasury, the Central Bank of West African States, business contributors to financial institutions, auditors, dealers in high value items, cash couriers, casinos, the national lottery, non-governmental organizations, travel agencies, attorneys, and real estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 1 in 2012
***Convictions:*** 0

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

Cote d'Ivoire is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Cote%20d'Ivoire.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOCI has established an inter-ministerial committee to ensure AML/CFT cooperation and coordination at the national level and has adopted the uniform community laws criminalizing money laundering and terrorist financing in the West African Economic and Monetary Union (WAEMU). However, the domestication of the WAEMU community laws remains incomplete, as the Appendix to Cote d'Ivoire's AML law relating to specific obligations of financial institutions regarding customers' financial operations has yet to be formally adopted. Terrorism, insider trading, and the manipulation of financial markets are not covered as predicate offenses under Cote d'Ivoire's AML law, and the structures necessary to implement UNSCRs 1267 and 1373 are either insufficient or entirely absent.

Cote d'Ivoire's banking sector caters largely to commercial enterprises rather than small account holders. Many Ivoirians use informal cash couriers, money transfer organizations, hawaladars, and, increasingly, goods transportation companies to transfer funds domestically and within the region. There is no regulation of domestic money and value transfer services. Cote d'Ivoire's financial intelligence unit (FIU), the National Financial Information Processing Unit, can share information with other FIUs in the WAEMU, as well as with those of non-WAEMU countries on a reciprocal basis and with the permission of the Ministry of Economy and Finance.

The economic police are responsible for investigating financial and white collar crimes but have limited operations as a result of inadequate resources and a lack of presence throughout the country as a legacy of the civil war. Since the end of the crisis, the government has reestablished civilian authority throughout much of the country, but judicial and security capacity remains weak and allegations of corruption persist. Cote d'Ivoire is ranked 130 of 176 countries on Transparency International's 2012 Corruption Perception Index.

Cote d'Ivoire remains under sanctions imposed by the United Nations Security Council stemming from the civil war and political/military crisis period. The sanctions include an arms embargo and a ban on the importation of rough diamonds from Cote d'Ivoire. The GOCI is working towards ensuring compliance, with the hope of sanctions being lifted in 2013. The country has also made progress in meeting the certification requirements of the Kimberly Process and has completed major financial and economic reforms.

On October 25, 2012, the GOCI ratified the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption.

While Cote d'Ivoire has made significant progress, the GOCI should continue to strengthen its rule of law institutions, including its AML/CFT legal framework, and its law enforcement and judicial capacities. Specifically, the GOCI should amend its AML law to cover all predicate offenses to money laundering included in the international standards, institute adequate requirements and structures for the implementation of UNSCRs 1267 and 1373, and provide guidance and/or training to reporting entities and judges, such that financial crimes may be more easily and consistently detected, prosecuted, and punished.

## Croatia

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

Money laundering in Croatia occurs primarily through non-resident accounts, transfers to offshore banks using counterfeit documents, deposits in foreign currency accounts, and has often been linked to the real estate market and the purchase of high-end automobiles. Authorities have

increased their efforts in the investigation of financial crimes. This trend reflects a greater push in the application of related legislation than an actual rise in such crimes. There is no indication that trade-based money laundering exists in Croatia.

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

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOWYOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 113: January – June 2011
***Number of CTRs received and time frame:*** 24,912: January – June 2011
***STR covered entities:*** Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe-deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; companies authorized to do business with financial instruments; insurance companies and intermediaries; issuers of electronic money; authorized

exchange offices; all gaming-related providers; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic or antique items; auctioneers; lawyers, notaries, auditors, accountants and tax advisors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 5: January - June 2011
***Convictions:*** 0: January - June 2011

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

Croatia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Croatia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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

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

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

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

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

successfully combat money laundering and financial crimes is being scrutinized, a process which has already led to increased capacity and expertise in this area.

## Cuba

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

Cuba's geographic location between drug-supplying and drug-consuming countries presents challenges for the authorities. Cuba has little foreign investment and a small international business presence, and no offshore casinos or internet gaming sites. There are no free trade zones, although the Government of Cuba (GOC) has announced it may develop one as part of the expansion of the Mariel Port in northwestern Cuba.

A majority of remittances from the United States reach Cuba via physical transport by relatives, friends or even informal couriers, rather than through formal channels, such as bank transfers and Western Union. These funds are traded for Cuban pesos at government foreign exchange houses, as most dollar transactions are forbidden. Western Union disburses Cuban Convertible Pesos (CUC) to recipients on the island, saving customers the 10% fee for cash exchanges into CUC from dollars. This process, coupled with new regulations on remittances, likely has increased remittance flows well above the often-stated figure of $2 billion.

The Financial Action Task Force (FATF) included Cuba in its October 19, 2012 Public Statement, citing Cuba's strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies and stating Cuba had not engaged with the FATF. Since then, Cuba has significantly enhanced its engagement and co-operation with the FATF.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Not available

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, money exchangers and remitters, financial management firms

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, money exchangers and remitters, financial management firms

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** Not available

In December 2012 Cuba became a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. It has not yet been subject to a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

With the exception of formally joining the GAFISUD, there were no significant changes in the GOC's AML/CFT policies or regulations in 2012. Cuba does not identify money laundering as a major problem, thus, regulation has remained largely unchanged since major reforms in 1997. Cuba's secretive and opaque national banking system hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT regime. The GOC claims to be in full compliance with international counterterrorism conventions and to have taken into account international standards. There are no known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations.

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

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

The GOC has continued a high profile campaign against corruption, investigating and prosecuting Cuban officials and foreign businesspeople. Cuba released no reports of prosecutions for money laundering in 2012. The last reported case occurred in August 2011,

when the government tried and sentenced a resident French businessman to 15 years in prison, with shorter sentences for his Cuban wife and seven other Cubans.

The deficiencies in Cuba's AML/CFT program stem from unclear or inadequate legislation which ultimately affects implementation. Unclear requirements are found in policies related to customer due diligence, STRs, confiscation, and sanctions for non-compliance. For example, while both the Ministry of Interior and Financial Transactions Investigation Division of the Central Bank have mandates to receive STRs, financial institutions have no explicit obligation to report STRs to the Financial Intelligence Unit.

Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities in order to expand its capacity to fight illegal activities. Cuba should continue its engagement with the FATF and follow its high-level political commitment with active implementation of an action plan to assist it in drafting clearer, more robust legislation and implementing an AML/CFT regime that meets international standards. Cuba also should increase the transparency of criminal investigations and prosecutions, and make its trials public.

## Curacao

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

Curacao has two economic free zones. It is not known to what extent "contrabanding" (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) occurs. The worldwide financial recession continues to slow the economic activities of the zones, although local merchants are confident this will change soon. Curacao has an active "e-zone" which provides e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

Curacao's offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, and international finance companies. The extent of this sector is not clear, but it has declined in scale due to the worldwide financial crisis. Also, several international financial services companies have relocated their businesses elsewhere because the island suffers from a negative international perception as a tax haven. Banking regulations require international banks to have a physical presence and maintain records on the island. Owning bearer shares is prohibited for onshore companies, and international companies must maintain bearer shares in custody.

Several casinos and Internet gaming companies operate on the island, although the number of Internet gaming companies is declining.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13,005: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** 4,557: January 1 – October 31, 2012
***STR covered entities:*** Local and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers , casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Curacao is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During the past year, the Public Prosecutor's Office initiated an ongoing money laundering investigation into Robbie Dos Santos, a member of the board of the Curacao Lottery Foundation and a major lottery operator. The Government of Curacao's (GOC) cooperation with the U.S. government led to the freezing of over $30 million of Dos Santos' assets in the United States. Dos Santos is the half-brother of former Finance Minister George Jamaloodin, and reportedly a major donor to the Movementu Futuro Kòrsou political party in Curacao. Dos Santos reportedly has business ties to the owner of Atlantis World Group (owner of several casinos in Curacao and St. Maarten), Francesco Corallo. Italy has an outstanding arrest warrant for Corallo on charges related to money laundering.

The GOC should continue its regulation and supervision of the offshore sector and free trade zones, as well as its pursuit of money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

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

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

## Cyprus

Since 1974, Cyprus has been divided de facto into the Republic of Cyprus (ROC)-controlled two-thirds of the island and the remaining one-third, administered by Turkish Cypriots. The ROC government is the only internationally recognized authority; in practice, it does not exercise effective control over the area administered by Turkish Cypriots, a part of the island Turkish Cypriots declared independent in 1983. The United States does not recognize the area administered by Turkish Cypriots, nor does any country other than Turkey. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows.

The ROC is a regional financial center with a robust financial services industry and a significant number 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 45 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); well developed and modern legal, accounting and banking systems; a sophisticated telecommunications infrastructure; and EU membership. Companies formerly classified as offshore are now free to engage in business locally. There are over 240,000 international business companies (IBCs) registered in Cyprus, many of which belong to non-residents. The

same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies. The ultimate beneficial owners of IBCs registered in Cyprus must be disclosed to the authorities.

The biggest threats for money laundering in the ROC are primarily from domestic and international financial crime. There is no significant black market for smuggled goods in the ROC. What little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The ROC has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and ROC legislation. The Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods. Additionally, the Ministry of Commerce, Industry and Tourism has management oversight over the Larnaca FTZ.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 525 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, attorneys, plus any person who in the course of his profession, business or

employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 76 in 2011
***Convictions:*** 18 in 2011

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

The ROC 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 (FSRB). Its most recent mutual evaluation report can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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. Cyprus has no provisions allowing civil forfeiture of assets without a criminal case. The police and the financial intelligence unit (FIU) are responsible for tracing, seizing and freezing assets and they 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 December 2012, Cyprus passed several new laws upgrading its existing anti-money laundering (AML) legal framework within the context of its request for bailout assistance from the EU. The changes clarify the nature of information subject to exchange with foreign tax authorities; enhance the ability of the FIU to cooperate with foreign authorities; provide increased jail sentences for persons convicted of offenses pertaining to stalling or avoiding paying taxes; address certain deficiencies in Cyprus' existing framework for regulating and supervising lawyers, accountants, and trustees; and call for a comprehensive review of the ROC's existing bank AML supervisory framework.

## Area Administered by Turkish Cypriots

The Turkish Cypriot community lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos. There are currently 22 banks (seven of which are branches) in the area administered by Turkish Cypriots, and Internet banking is available.

The offshore banking sector remains a concern. The offshore sector consists of nine banks and 90 companies. The offshore banks may not conduct business with residents of the area administered by Turkish Cypriots and may not deal in cash. The "Central Bank" provides the

regulation and licensing of offshore banks and audits the offshore entities, which must submit an annual report on their activities. The "law" permits only banks previously licensed by Organization for Economic Co-operation and Development (OECD)-member nations or Turkey to operate an offshore branch in northern Cyprus.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 105: January 1 - October 30, 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

The area administered by Turkish Cypriots is not part of any FSRB and thus is not subject to normal peer evaluations.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Despite the 2009 promulgation of stricter "laws," the 24 operating casinos (four in Nicosia, five in Famagusta and 15 in Kyrenia) remain essentially unregulated due to the lack of an enforcement or investigative mechanism by the casino regulatory body and efforts to de-criminalize any failure by casinos to follow KYC regulations.

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

The EU continues to provide technical assistance to the Turkish Cypriots to combat money laundering more effectively. The EU is evaluating the continuance of its assistance in light of the area's continuing AML/CFT risks.

The Turkish Cypriot "AML Law" provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness remains the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. Amendments to a "law" to regulate potential AML activity in casinos that would essentially decriminalize failure to implement KYC rules have been pending for over one year. The largely unregulated consumer finance institutions and currency exchange houses are also of concern.

Turkish Cypriots are currently drafting new AML "legislation" that will take into account UNSCRs 1267 and 1373 as well as address other sectors that face money laundering risks, such as casinos and exchange bureaus.

The Turkish Cypriot authorities should continue efforts to enhance the "FIU," and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

## Czech Republic

The Czech Republic has a mid-sized, export-oriented economy. However, the country's central location in Europe and openness as a market economy leave it vulnerable to money laundering. Fraud and tax evasion are reportedly the primary sources of laundered assets in the country. Czech officials estimate that organized crime in the country generates approximately $40 billion annually.

Domestic and foreign organized criminal groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers. Links between organized crime and money laundering are present mainly in the activities of foreign groups, in particular those from the former Soviet republics, the Balkans region, and Asia. Banks, investment companies, real estate agencies, currency exchange offices, casinos, and other gaming establishments all have been used to launder criminal proceeds.

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,852: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of secondhand goods, including vehicles, and of precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 41: January 1 - June 30, 2012
***Convictions:*** 27: January 1 - June 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

The Czech Republic is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual

evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Two aspects of the Czech legal framework continue to constrain efforts to prosecute money laundering. First, prosecutors must prove that the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence somebody to prison for one crime, even if several crimes were committed. Convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, so prosecutors have little motivation to pursue money laundering convictions.

The Czech Republic permits bearer shares, which are widely used by Czech companies and freely transferable. There is no legal requirement that transfers of bearer shares be registered or reported, obscuring true ownership. As a result, ownership is often non-transparent and registered information unreliable. Although KYC rules require companies to provide financial institutions with evidence of the identities of beneficial owners holding more than a 25 percent stake in the company, the reliability of company-provided data has sometimes proved questionable. Law enforcement personnel acknowledge that bearer shares are obstacles in their financial investigations because they obscure true ownership. According to a January 2011 report by the Czech research agency Čekia, there are roughly 12,000 joint stock companies that issue bearer shares in paper form, accounting for over half of all joint stock companies in the Czech Republic.

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

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

## Denmark

The Kingdom of Denmark (Denmark, Greenland, and the Faroe Islands) is neither a major international financial center nor a center for significant organized crime. Outlaw motorcycle gangs have been involved in a range of offenses including narcotics-related offenses, smuggling of goods and various financial crimes.

Dealing in narcotics and smuggling of illicit substances is a problem. Trafficking in human beings, smuggling of goods that are subject to high levels of taxation, and credit card crimes have received increased attention. Denmark has legalized online gaming but this does not seem to be a vulnerability due to effective regulation. Corruption is not a significant issue.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,316 in 2010
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities*****:** Banks, electronic money institutions and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Denmark is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/documents/documents/mutualevaluationofdenmark.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Denmark has a comprehensive anti-money laundering/counter-terrorist financing regime and has been cooperative with the United States in drug money laundering

investigations. Denmark and the United States have a Customs Mutual Assistance Agreement which facilitates information sharing between the customs administrations of the two countries.

## Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. It is a minor financial hub in the sub-region, thanks to its U.S. dollar-pegged currency and unrestricted foreign exchange. Djibouti's economy continues to grow by over four percent of GDP due to a surge in foreign direct investment inflows – primarily from the countries of the Gulf Cooperation Council and China – in the port, construction, and tourism sectors. Officials from the Central Bank have not reported any instances of money laundering. 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. Djibouti's proximity to neighboring Somalia is a risk factor, as many Djibouti-based financial institutions have operations in Somalia, a jurisdiction which lacks effective anti-money laundering/counter-terrorist financing (AML/CFT) controls. There also are allegations of Djibouti-based financial facilitation of Somali terrorist group al-Shabaab, and laundering of piracy ransom payments in Djibouti's financial system.

Djibouti hosts no offshore banks. Its banking laws, however, explicitly permit offshore institutions. The number of locally operating banks has increased from two to eleven in the past eight years. Hawala and other money/value transfer services are prevalent in the region, and informal markets for goods are sometimes used for counter valuation.

There are currently two free zones administered by the Djibouti Ports and Free Zone Authority (DPFZA), a public independent organization. The chief executive officer of DPFZA reports directly to the Presidential Office. One free zone is located at the "old" port. The other, Djibouti Free Zone (DFZ), is located on 40 hectares and offers office space, warehouses, light industrial units, and hangars. Jebel Ali Free Zone, based in Dubai, manages the commercial and operational aspects of the DFZ. The purpose of both free zones is to promote foreign investment in Djibouti with the goal of making Djibouti the gateway to regional and East African markets. They are essentially a "one-stop shop" for companies looking to do business in the Djiboutian market. There are plans to start construction on a third free zone in 2013 and to build a fourth in the coming years.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Credit establishments, financial and investment intermediaries and advisors, banks, money transfer agents, money changers, casinos, notaries, and attorneys

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4: January 1 – November 30, 2012

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Credit establishments, financial and investment advisors and intermediaries, banks, money transfer agents, money changers, casinos, notaries, attorneys, and other non-financial entities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Djibouti is not a member of a Financial Action Task Force-style regional body. In 2012, Djibouti applied for Middle East and North Africa Financial Action Task Force (MENAFATF) observer status.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Djibouti (GOD) recognizes its growing banking sector is a vulnerable area that requires monitoring by the Central Bank and the Fraud Investigation Unit (FIU). Although the GOD enacted its anti-money laundering law in 2002, enforcement of the law continues to be a major challenge. The FIU is not operationally independent from the Central Bank and does not appear to be carrying out the core FIU functions of receiving, analyzing, and disseminating suspicious transaction reports (STRs). Djibouti makes an effort to control all formal transaction points. However, greater resources and independence would improve the oversight capabilities of the Central Bank and the FIU. Because of its free zones, an increasing number of banks, and the introduction of bank-free cash transfers via mobile phones, additional training and resources for the FIU continue to be critical needs. Severe resource limitations constrain the breadth of the FIU's investigative capability, regulatory function and ability to collect and analyze financial intelligence. Djibouti's FIU has yet to forward a case for prosecution. There are no cash deposit/withdrawal threshold reporting requirements in Djibouti; and the FIU does not track large currency transactions without an accompanying STR, inflating the number of STRs filed. At the regional level, the FIU works in collaboration with FIUs from member states of the Intergovernmental Authority on Development.

The lack of coordination among divergent law enforcement authorities, especially security agencies, further impedes investigations and adds to an environment in which it is difficult to

staff in-depth investigations. Law enforcement expertise in financial investigations and targeting financial crimes is minimal. Djiboutian magistrates and judges also lack both experience and expertise in prosecuting financial crimes. The Ministry of Justice examines each predicate offense and seldom considers links to money laundering or terrorist financing unless currency is directly involved.

Djibouti will need to work to apply its AML/CFT regime in all current and planned free zones, and to all professionals involved in financial matters. Law enforcement should not wait for a money laundering or terrorist financing referral from the FIU but rather should investigate financial crimes at the street level and in the ports. The GOD should continue to focus on improving customs controls on cross-border currency movements, especially at land borders.

## Dominica

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

Per 2011 reporting, Dominica has three offshore banks, three Internet gaming companies, and over 16,000 IBCs. Bearer shares are permitted; however, the beneficial owners of the bearer shares must be disclosed to financial institutions (FIs) as part of the FIs' know-your-customer programs.

Under Dominica's Economic Citizenship Program, individuals can obtain citizenship for approximately $100,000 for an individual and $200,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. An 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 also is required.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, cooperative credit unions, securities and insurance brokers, money exchanges or remitters, financial management firms and registered agents, gaming establishments, lawyers, notaries, real estate brokers, jewelers, auto dealers, accountants, Internet gaming and wagering services, management companies, telecommunications companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 76 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, cooperative credit unions, securities and insurance brokers, money exchanges or remitters, financial management firms and registered agents, gaming establishments, lawyers, notaries, real estate brokers, jewelers, auto dealers, accountants, Internet gaming and wagering services, management companies, telecommunications companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Dominica is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=348&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Most of the suspicious transaction reports (STRs) in Dominica are submitted by the formal financial sector. Operators in the non-bank financial system are required by law to submit STRs; however, the compliance rate in the non-bank sector is limited.

The Money Laundering (Prevention) Act No. 8 of 2011 (MLPA) is more robust with respect to incorporation of confiscation within the law. The Suppression of Financing of Terrorism (Prevention) (Amendment) Act No. 9 of 2011 requires direct reporting of STRs to the financial intelligence unit and provides the ability to freeze accounts, funds, and property connected with a terrorist, terrorist act or terrorist group that was the subject of a freeze order in a requesting state.

FIs should hold the bearer share certificates issued by their customers. Dominica should become a party to the UN Convention against Transnational Organized Crime.

## Dominican Republic

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

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

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, currency exchange houses, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and dealers in firearms and precious metals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13,130: January 1 through December 1, 2012
***Number of CTRs received and time frame:*** 1,286,870: January 1 through December 1, 2012
***STR covered entities:*** Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms and travel agencies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 12 in 2012
***Convictions:*** 1 in 2012

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

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=347&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Egmont Group of Financial Intelligence Units (FIUs) expelled the DR's FIU in 2006 due to a lack of compliance with the definition of an FIU. The Egmont Group specified the formal steps the DR needs to take to re-apply for Egmont membership, thereby allowing the FIU to efficiently and securely share and exchange sensitive financial information with international FIUs. The function of the FIU improved, but problems remain. Specifically, the creation of an additional FIU-like organization to regulate international financial zones, as stipulated under Law 480/08, is in contravention of Egmont Group rules. The DR should modify Law 480/08 to eliminate the possibility of a second FIU, and re-apply for membership in the Egmont Group.

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

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

## Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Corruption is a significant problem that facilitates money laundering. Since only major banks have active money laundering controls in place and a substantial percentage of transactions take place through unregulated money exchange and remittance companies, there is no reliable way to judge the magnitude of illicit finance in the country. There is evidence money laundering is taking place through trade and commercial activity, as well as through cash couriers. Large amounts of unexplained currency entering and leaving Ecuador indicate a significant transit of illicit cash.

The Government of Ecuador (GOE) closed all gaming outlets in 2012, citing money laundering concerns, among others.

The Financial Action Task Force (FATF) included Ecuador in its October 19, 2012 Public Statement because Ecuador has not made sufficient progress in implementing its action plan and continues to have certain strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, including inadequacies in its criminalization of both money laundering and terrorist financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List Approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 20 in 2012
***Number of CTRs received and time frame:*** 32,764,737: January - June 2012
***STR covered entities:*** Banks, savings and credit institutions; investment companies, stock exchanges, and mutual funds; exchange houses; credit card administrators; money transmitters; mortgage companies; insurance and reinsurance companies; trusts and fund managers; sellers of vehicles, aircraft, and watercraft; brokerages; couriers; real estate agents; casinos and other gambling enterprises; dealers of precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 6 in 2012
***Convictions:*** 2 in 2012

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

Ecuador is a member of the 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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Oversight of the financial sector improved in 2012, with the implementation of several anti-money laundering (AML) compliance regulations that amended the December 2010 law on money laundering and criminal financing. The regulations include enhanced monitoring of insurance companies, money couriers, money transfer companies and stock exchanges. The resolutions go into detail regarding AML compliance units within institutions and the measures that entities must enact in order to monitor for money laundering and financial crime. The Superintendency of Banks and the Superintendency of Companies perform inspections and audits, which have resulted in the imposition of penalties on a range of entities for noncompliance. However, strategic deficiencies remain in regard to confiscating funds related to money laundering and improving coordination of financial sector supervision.

Customs published a resolution in March 2012 that allows a 30 percent administrative fine for bulk cash smuggling. There was a significant increase in GOE revenues from cash seizures at entry and exit ports; however, key deficiencies remain. For example, the current law includes language complicating seizures of illicit funds by explicitly placing the burden of proof on the GOE to prove the illicit origin of funds in money laundering or cash smuggling cases, thus making criminal convictions very difficult. Ecuador does not have specific asset forfeiture legislation for money laundering violations.

The National Assembly concluded the first debate on the draft Penal Code on July 17, 2012. The draft legislation includes improvements to the anti-money laundering regime. These reforms would address the criminalization of terrorist financing and the ease with which assets linked to illegitimate sources can be confiscated but would not address freezing terrorist assets in accordance with international standards. Ecuador currently lacks adequate procedures and has a lengthy criminal process for confiscating terrorists' assets. Law 2010-352 includes provisions that seek to criminalize terrorist financing by creating a stand-alone offense for financing certain crimes listed in the Penal Code. The law adds a new article to the Penal Code to criminalize financing all acts listed in the Penal Code as "Crimes of Sabotage and Terrorism," including terrorism, acts of terrorism, and organized terrorism. However, the law does not contain an explicit reference to "terrorist financing," does not define "funds" or "assets," does not appear to cover attempts to commit the offense, and appears to require a connection to a specific act of terrorism. The draft Penal Code reform, if approved, would address most of these deficiencies.

The GOE should work to enact the Penal Code reform package. The GOE should harmonize its legislation to eliminate conflicts that hinder successful money laundering investigations and prosecutions. The GOE should ensure the Financial Analysis Unit, the GOE's financial intelligence unit, is fully functional and meets international standards, and should also ensure that reporting requirements – covering an expanded group of obligated parties – are enforced. The GOE should make a dedicated effort to train judges, prosecutors, and investigators so they understand the country's applicable AML/CFT legislation and regulations.

## Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. In the past year, the Government of Egypt (GOE) has shown increased willingness to tackle the issue of money laundering, especially with regard to investigating allegations of illicit gains or corruption under the Mubarak regime. The European Union and Canada have taken action to freeze the assets of Mubarak and several members of his regime based on their apparent misappropriation from the Egyptian state. However, while anti-money laundering resources remain focused on corruption by former members of the Mubarak regime, Egypt remains vulnerable to money laundering by virtue of its large informal, cash-based economy. There are estimates that as much as 80 percent of the small and medium enterprise sector is unregistered and reliant on the informal economy. Thus, despite having a large, well developed and well-respected formal financial sector, many smaller-scale financial transactions are undocumented or do not enter the banking system. Consequently, money laundering, such as for the purpose of avoiding taxes and fees, is common. In addition, sources of illegal proceeds reportedly include the smuggling of antiquities and trafficking in narcotics and/or arms. Authorities note increased interception of illicit cross-border fund transfers by customs agents over the past few years.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, foreign exchange and money transfer companies, the post office, insurance companies, securities firms, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,199: June 2011 – June 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, foreign exchange and money transfer companies, the post office, insurance companies, securities firms, leasing and factoring companies, and mortgage financing companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Egypt 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 can be found here:
http://www.menafatf.org/images/UploadFiles/MER_Egypt_ForPublication.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOE appears to be more actively engaged on money laundering issues. The GOE is currently working to incorporate technical and analytical training on the investigation and prosecution of money laundering and related crimes into its judicial curriculum. Law enforcement authorities have shown improvements in identifying and seizing illicit cross-border shipments and currency transfers, while the courts continue to vigorously pursue corrupt members of the previous regime. There is reason to believe that statistical data regarding money laundering prosecutions and convictions may understate the number of money laundering investigations. Egyptian prosecutors are obliged to charge the most serious, readily provable offense. Because many public corruption and similar offenses carry higher penalties than money laundering, money laundering may not be charged even though the offense conduct included such activity.

The GOE should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering offenses. The GOE also should work to more effectively manage its asset forfeiture regime, including the identification, seizure and forfeiture of assets.

## El Salvador

El Salvador is part of the transit route for South American cocaine destined for the United States, and the corresponding cash payments returned to South America. The U.S. dollar is the official currency in El Salvador, and the country's dollarized economy and geographic location make it an ideal haven for transnational organized crime groups, including human smuggling and drug trafficking organizations. Money laundering is primarily related to proceeds from illegal

narcotics and organized crime; there is no indication that money laundering is being used to fund terrorist activities. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens across the respective borders, bypassing formal immigration and customs inspection. This agreement is a vulnerability to each country and the region for the cross-border movement of contraband and illicit proceeds of crime.

According to authorities, organized crime groups employ the following mechanisms to launder money: the use of front companies, parking lots, travel agencies, remittances, the import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing operations, whereby small amounts of money are deposited or transferred in a specific pattern to avoid detection by government authorities.

As of December 2012, there are 16 free trade zones (FTZs) operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. A significant number of remittances are transferred through banks, and it is possible narcotics trafficking organizations remit illicit proceeds from drug sales in the United States to El Salvador.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,156 in 2012
***Number of CTRs received and time frame:*** 3,416 in 2012
***STR covered entities:*** Banks, agricultural credit institutions, pension funds, insurance companies, money exchanges, auditors, accountants, notaries, gaming centers, auto dealers, and securities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 17 in 2012
***Convictions:*** 4 in 2012

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

El Salvador 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/El_Salvador_3rd_Round_MER_(Final)_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The regulatory institutions charged with money laundering supervision lack human resources, sufficient training, and regulatory powers. The Superintendence of the Financial System (SFS) supervises only those money remitters, accountants, and auditors with a relationship with a bank or bank holding company. Independent entities are not subject to any supervision, nor are other designated non-financial businesses and professions (DNFBPs). The SFS is developing supervisory programs for pension funds, insurance companies and securities broker/dealers.

The number of prosecutions relative to the number of crimes which generate illicit funds is low. In 2012, only $883,000 in assets was criminally forfeited. The final legislative clearance for this action is with the General Assembly and still needs approval.

El Salvador should provide a clear prohibition against tipping off in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons. To fully implement its anti-money laundering/counter-terrorist financing laws, the Government of El Salvador should develop regulations, guidelines, and adequate supervisory programs for insurance companies, securities broker/dealers, pension funds, and DNFBPs. El Salvador should lower its CTR threshold from approximately $57,143 to $10,000 to comport with the international standard.

## Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. The oil rich country has very low health and education levels. Implementation of its anti-money laundering laws is not complete and financial crimes enforcement is weak. EG's greatest concerns in terms of money laundering and terrorist financing are cross-border currency transactions and the illegal international transfer of money by companies or by corrupt individuals. Illicit appropriation and public corruption are widespread in both commerce and government, particularly in the use of proceeds from the extractive industries, including oil, gas, and timber, the most likely sources for laundered funds. There is no known connection to drug trafficking organizations, organized crime, or terrorists operating locally. Although there is no significant market for smuggled goods, smuggling is endemic.

There are no significant offshore sectors or free trade zones.

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 Equatorial Guinea (GOEG) is also a member of the Banking Commission of Central African States within CEMAC.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Treasury, Central Bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Treasury, Central Bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

EG is a member of the Central African Action Group against Money Laundering (GABAC), an entity in the process of becoming a Financial Action Task Force-style regional body. EG has not had a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOEG should work with CEMAC and BEAC to establish a viable anti-money laundering/counter-terrorist financing regime and to strengthen the capacity of the National Agency of Financial Investigation (ANIF), EG's financial intelligence unit. Equatorial Guinea's officers charged with crime prevention, including the police, judicial police, and ANIF, need professional training in proper investigative techniques. Although the anti-money laundering regulations require reporting entities to implement compliance programs and report large and suspicious transactions, the system is only functioning to a limited degree in banking institutions. The GOEG does not have cross-border currency reporting requirements. International law enforcement cooperation is weak although the GOEG works with the European Community in terms of money laundering and terrorism financing through the CEMAC financial agreement with the Treasury of France.

Widespread corruption, at times involving the highest levels of the GOEG, is the catalyst for money laundering and other financial crimes. EG is ranked 163 out of 176 countries in Transparency International's 2012 Corruption Perception Index.

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

## Eritrea

Eritrea is not a regional financial center. Historically, the Government of the State of Eritrea (GOE) has used command economic policies and arrangements, but it is currently attempting to privatize some key state-owned firms. Although reliable statistics are unavailable, exports are currently small, generating little hard currency. The development of the mining sector has led to an increased influx of capital, and earnings are accruing from mineral exports, notably gold. The GOE relies in part on taxation of nationals living abroad to sustain its economy; and many in the Eritrean domestic population remain dependent on remittances from relatives abroad. Eritrea is a source country for men, women, and children subjected to forced labor and, to a lesser extent, sex trafficking. The level of cross-border trafficking of narcotics is not known, but given the government's tight control of borders, Eritrea is not believed to be a significant market or transit route for narcotics. However, there are reports that Eritrean government and military officials profit from contraband smuggling and extortion. Due to its informal cash economy, limited regulatory structure, underground remittances, prevalent use of money/value transfer systems, proximity to regions where terrorist and criminal organizations operate, and widespread corruption Eritrea is vulnerable to money laundering and related activities.

The GOE professes to oppose, and when necessary, take action against money laundering, but the mechanisms by which it does this remain unclear. Eritrea does not publish national accounts or trade statistics. The international community has long pressed for fiscal transparency, but Eritrean officials are generally not prepared to discuss anti-money laundering/counter-terrorist financing (AML/CFT) initiatives.

Eritrea is believed to have been a haven for organizations affiliated with al-Qaida and al-Shabaab; some sources continue to charge that elements of the Eritrean security apparatus provide training, supplies and financing to regional destabilizers. Evidence of the GOE's past support to insurgents in neighboring states resulted in the UN Security Council (UNSC) levying an arms embargo against Eritrea beginning in 2009. In December 2011, the UNSC toughened existing sanctions, also addressing concerns over potential use of Eritrean mining revenues for destabilizing activities. The UN's July 2012 Monitoring Group Report concluded that Eritrea had reduced or eliminated direct support for al-Shabaab, but the Group recommended maintaining the existing arms embargo until greater transparency is achieved.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Not available
***Are legal persons covered:*** ***criminally:*** Not available ***civilly:*** Not available

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Eritrean banking, legal and regulatory systems are undeveloped and non-transparent. Currently, laws are generally issued as proclamations. The constitution, unimplemented

following a period of martial law during a border war with Ethiopia beginning in 1998, has recently been distributed to citizens; and Justice Ministry officials say that implementation will take place shortly. In mid-2012, the GOE formally reversed its policy of strict self-reliance and rejection of external development assistance, announcing restoration of relations with UN agencies and commencing work on a UN Development Assistance Framework for a five-year period beginning in 2012.

The GOE should seek international assistance to help structure an AML/CFT regime that comports with international standards. Eritrea ranks 150 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index. Eritrea should become a party to the UN Convention against Corruption, the UN Convention against Transnational Organized Crime, and the International Convention for the Suppression of the Financing of Terrorism.

## Estonia

Estonia has a highly developed and transparent banking sector and its rule of law is recognized as established and mature. Estonia is a transit country for narcotics and other illicit goods. Transnational and organized criminal groups are attracted to Estonia due to its location between Eastern and Western Europe. Analysis of suspicious transaction reports (STRs) discloses incidents of the proceeds of internet crime being transferred to Estonia. Gaming both through casinos and online is legal in Estonia. The sector is considered well regulated through the Estonian Gambling Act.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and credit institutions; lottery/gaming institutions; real estate firms, high value goods dealers, and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; and dealers of precious metals, precious metals articles, or precious stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5,203: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** 4,002: January 1 – October 31, 2012
***STR covered entities:*** Banks and credit institutions; lottery/gaming institutions; real estate firms, high value goods dealers, and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in

bankruptcy and legal services providers; and dealers of precious metals, precious metals articles, or precious stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 48: January 1 – October 31, 2012
***Convictions:*** 13 involving 36 persons: January 1 – October 31, 2012

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

Estonia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Estonia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, Estonia's key anti-money laundering/counter-terrorist financing (AML/CFT) agencies provided their own risk analyses and established a national Governmental Committee to deal with AML/CFT issues. In October, the Governmental Committee decided to create a special task force to deal with the National AML/CFT Risk Assessment issues.

Estonia is a member of the European Union and the euro zone. Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities. Estonia continues to work to bring its money laundering regime into compliance with international recommendations.

## Ethiopia

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

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

The Financial Action Task Force (FATF) included Ethiopia in its October 19, 2012 Public Statement for its lack of sufficient progress in addressing longstanding anti-money laundering/combating the financing of terrorism (AML/CFT) deficiencies. The FATF has called upon its members to consider the risks arising from these deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, foreign exchange bureaus, financial leasing companies, customs and revenue, notaries, licensing organizations, auditors, accountants, real estate brokers/agents, precious metal dealers, brokers/investment advisors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 187: January 1 - November 19, 2012
***Number of CTRs received and time frame:*** 552,772: January 1 - November 19, 2012
***STR covered entities:*** Banks, foreign exchange bureaus, financial leasing companies, customs and revenue, notaries, licensing organizations, auditors, real estate agents/brokers, precious metal dealers, brokers/investment advisors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3: January 1 – November 19, 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Ethiopia is an observer of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. It recently underwent its first mutual evaluation. Once published, the mutual evaluation report can be found here: http://www.esaamlg.org/reports/me.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Ethiopia (GOE) has made progress in improving its AML/CFT regime, most notably by making the Financial Intelligence Center (FIC), its financial intelligence unit, operational in early 2012. The FIC has grown from two to over thirty employees, including analysts, administrative staff, and IT professionals; and is working to develop its investigative and referral capacity. It has begun receiving suspicious transaction reports (STRs) and currency transaction reports (CTRs), though it lacks technical capacity to effectively sort through and store the over 10,000 CTRs it receives weekly. The FIC has held workshops with banks on how to identify suspicious transactions and has engaged with federal prosecutors to improve prosecution of money laundering cases. The Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and its understanding of how to address them. The GOE's poor record keeping system and lack of centralized law enforcement records hinder the federal police's ability to identify and investigate trends in money laundering and terrorist financing. Further, inadequate police training and lack of resources significantly diminish the federal police's financial investigative abilities.

On March 20, 2012, the GOE became a party to the International Convention for the Suppression of the Financing of Terrorism.

An action plan developed by the Ministry of Finance aims to improve Ethiopia's AML/CFT capabilities comply with the national AML/CFT requirements.

## Fiji

The Republic of Fiji is a small country with a population of less than one million. It has relatively significant natural resources and is among the most developed of the Pacific island nations. It is not a regional financial center but serves as a regional hub for transportation and shipping for other Pacific island nations.

Fiji's geographical location makes it a convenient potential staging post for criminal activities in Australia and New Zealand, which is demonstrated by some significant drug related cases and a noted increase in the number of human smuggling cases. Cross-border criminal gangs involving individuals from neighboring Asian countries also operate in Fiji.

There are no casinos currently operating but one large one is being constructed. It is unclear if the owners and investors have been vetted for anti-money laundering risks; and the ability of the government to regulate it effectively is unknown.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

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

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 579 in 2012
***Number of CTRs received and time frame:*** 200,404 in 2012
***STR covered entities:*** Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 23 in 2012
***Convictions:*** 6 in 2012

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Fiji's financial intelligence unit does not have budgetary independence. The Government of Fiji (GOF) should continue to implement anti-money laundering/counter-terrorist financing measures that adhere to international standards. Fiji also should become a party to the UN Convention against Transnational Organized Crime. The GOF should ensure its gaming supervision program is sufficient to properly oversee the large casino which is being built and that it conducts proper due diligence on the casino's investors and owners.

## Finland

Finland is not a regional center for money laundering, financial crime, or illegal commerce. The major sources of illegal proceeds in Finland relate to financial crimes, and the majority of investigated suspicious financial activities have an international dimension. The number of organized criminal groups has grown slightly in the past few years, as has the number of their members. Illicit funds are normally laundered through currency exchangers and gaming establishments. Terrorism related fundraising, to the extent it exists, appears to be less of a problem than in other European countries.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Credit and financial institutions; investment firms, management companies and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawn shops and dealers in high value goods; casinos and gaming entities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 34,749: January 1 to November 26, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Credit and financial institutions, investment and fund management companies, insurance brokers and companies, apartment rental and real estate agents, pawn shops, betting services, casinos, non-bank financial institutions, management companies, custodians of mutual funds, auditors, auctioneers, lawyers, notaries, accountants, dealers in high value goods, money remitters, tax advisory and financial management services, repossession agents and bankruptcy ombudsmen

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 40: January 1 - November 30, 2011
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Finland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/d-i/finland/documents/mutualevaluationoffinland.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Finland (GOF) has a comprehensive anti-money laundering/counter-terrorist financing regime. In June 2012, Finland's criminal code was changed to criminalize self laundering. Self laundering in aggravated cases, where monetary amounts are greater than €10,000 (approximately $13,200), is now included as a predicate offense for money laundering.

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

A recent GOF proposal is pending in Parliament, which would establish a national administrative mechanism for freezing funds and economic resources of persons and entities involved in terrorism.

The GOF should consider laws requiring the reporting of large transactions on a consistent basis. The GOF also should require enhanced due diligence for domestic politically exposed persons (PEPs).

## France

France's banking, financial and commercial relations, especially with Francophone countries, make it an attractive venue for money laundering because of its sizeable economy, political stability and sophisticated financial system. Public corruption, narcotics trafficking, human trafficking, smuggling, and other crimes associated with organized crime generate illicit proceeds.

Casinos are regulated. France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. France has taken advantage of these regulations in several specific instances. The French Customs Service administers these zones.

France has a large informal sector, and informal value transfer systems such as hawalas may be used by immigrant populations used to such systems in their home countries, but there is little information on the scale of such activity.

Since 2011, France has considerably expanded its financial intelligence unit (FIU), TracFin. TracFin is looking into the ways in which new anonymous electronic payment instruments are offering an alternative to cash. The use of virtual money is growing in France through online gaming social networks.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit and money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries, insurance dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 22,856 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit and money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries, insurance dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high value goods, auctioneers and auction houses, bailiffs, lawyers, participants to stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 297 in 2011
***Convictions:*** 28 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

France is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of France (GOF) applies the 2006/70/CE European Union (EU) directive by which politically exposed persons from the EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence.

TracFin has hired new officers, updated its investigative methods, modernized its information system, and made more data available to the public online. In April 2012, France's bank supervisor improved its bank questionnaires on prevention of money laundering and terrorism financing, provided guidelines to financial institutions for their dealings with occasional clients versus regular business clients, and updated its guidance on vigilance measures concerning fund transfers. These efforts should be continued to ensure effective implementation.

The GOF should examine the compliance with AML reporting requirements of company registration agents, real estate agents, jewelers, casinos and lawyers to ensure they are complying with their obligations under the law.

France does not have the capacity to share forfeited assets with other jurisdictions. The country should reform its laws to allow forfeited assets to be shared.

## Gabon

Gabon is not a regional financial center. However, Gabon suffers from porous borders; and smuggling, which is facilitated by organized criminal groups, is widespread. Despite fiscal management reform efforts, systemic corruption at administrative levels still exists. Embezzlement of state funds, including by politically exposed persons (PEPs), gives rise to money laundering. There is a large expatriate community in Gabon engaged in the timber industry, construction, and general trade. Money and value transfer systems, such as hawala, and trade-based commodity transfers are often used by the expatriates, particularly the large Lebanese community, to avoid tight fiscal controls on the repatriation of profits.

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 38 in 2011
***Number of CTRs received and time frame:*** 0 in 2011
***STR covered entities:*** Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants, jewelry shops, car dealers, and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Gabon is a member of the Central African Action Group against Money Laundering and Terrorist Financing (GABAC), an organization in the process of becoming a Financial Action Task Force-style regional body. In 2012, Gabon underwent a mutual evaluation, but it has not yet been published.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although the National Financial Investigations Agency (ANIF), Gabon's financial intelligence unit (FIU), is now functional, it is hampered by the law, which merges suspicious activity reporting with currency transaction reporting and only requires reporting of suspicious activity for deposits over 5,000,000cfa (approximately $10,000). Banks can, however, report transactions to ANIF for sums under this threshold on a case by case basis. ANIF still lacks the necessary human resources to be effective in its mission, and ANIF staff members report they need more training to improve the agency's effectiveness. ANIF joined the Egmont Group of FIUs in June 2012.

The Gabonese judicial system has been slow to process money laundering cases because the process is cumbersome despite ongoing reform efforts, and judges are not trained to hear such cases. Moreover, the judiciary remains inefficient and susceptible to inappropriate influence. Police inefficiency, corruption, and impunity remain serious problems; although the government is stepping up its efforts against corrupt officials. Collection of evidence is also difficult.

The Gabonese are willing to cooperate on international law enforcement matters via exchange of diplomatic notes and letters. The Government of Gabon should continue working with regional and international organizations 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. A lack of resources hinders law enforcement's ability to combat possible smuggling. The Gambia is not a known money laundering hub in the region. It is unknown to what extent laundering is related to narcotics, but recent seizures of large amounts of cocaine and marijuana have heightened concerns of drug-related money laundering. The rapid growth of commercial banks entering the local market in the past few years, currently 13, also raises possible money laundering concerns.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers/dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and, trust and company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers/dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and, trust and company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

The Gambia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Gambia.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In June 2012, the National Assembly adopted amendments to the country's Money Laundering Act of 2003. The extensive revision includes a comprehensive range of predicate offenses and designated non-financial businesses and professions. The Government of The Gambia (GOG) should provide adequate resources and capacity to its law enforcement, supervisory and customs personnel so they are able to effectively fulfill their responsibilities. Its inadequate financial intelligence unit also should be given autonomy and strengthened both in terms of personnel and training to help it operate effectively.

The country's Terrorism Financing Act was amended in June 2012, but the GOG also should become a party to the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

The GOG should examine its re-export sector to determine whether it is being used to launder criminal proceeds.

## Georgia

Georgia is not considered a major financial center. According to the Georgian Ministry of Justice, the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity such as tax evasion, falsification of documents, financial and customs fraud, intellectual property rights violations, and environmental crimes. Domestic statistics also suggest the existence of illicit proceeds from corruption and drug trafficking. The extent of organized criminal groups operating within Georgia is unknown. Outside observers have identified large Georgian-led criminal organizations operating in other countries which exposes Georgia to the risk of proceeds of crime being transferred back into the country.

South Ossetia and Abkhazia fall outside the control of Government of Georgia (GOG) authorities and are not subject to monitoring. Organized crime is present and there is a lack of effective law enforcement in these regions.

The black market for smuggled goods in Georgia is small. There is little evidence to suggest it is significantly funded from narcotics proceeds, or that the funds generated by smuggling are laundered through the formal financial system. Smuggled goods are sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the Russian-occupied territories of Abkhazia and South Ossetia is unknown.

Georgian entities have customers that are, or are owned by, offshore companies. Often the identities of these companies or their beneficial owners are unknown or have not been verified. Additionally, there are both a rapid and ongoing growth of nonresident deposits and an increase in private banking activities, often for a clientele of foreign politically exposed persons (PEPs). The rapid growth of casinos is troublesome as the gaming industry may be involved with facilitating money laundering.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, and precious stones; Legal Entity of Public Law under the Ministry of Finance of Georgia Revenue Service; charities and issuers of grants; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; and asset management companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 3,118: January 1 - September 31, 2012
***Number of CTRs received and time frame:*** 78,408: January 1 - September 31, 2012
***STR covered entities:*** Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, and precious stones; Legal Entity of Public Law under the Ministry of Finance of Georgia Revenue Service; charities and issuers of grants; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; and asset management companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 32 (63 persons): January 1 - July 31, 2012
***Convictions:*** 36 (41 persons): January 1 - July 31, 2012

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Georgia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Georgia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the GOG continued to achieve results in detection, investigation and prosecution of money laundering. However, weaknesses remain with regard to compliance with key elements of the international standards. Technical deficiencies, poor implementation, and limited resources undermine the effectiveness of the financial intelligence unit (FIU) and anti-money laundering/counter-terrorist financing supervision. Georgia should address its significant loopholes in the transparency of legal entities, domestic cooperation, measures to prevent terrorism financing, and preventive measures for designated non-financial businesses and professions.

Georgia recognizes an existing drug problem, yet narcotics trafficking is rarely recognized as a predicate offense for money laundering. Investigations and prosecutions are mostly initiated on the basis of operational law enforcement information and rarely on filed STRs and CTRs. The data compiled by the Financial Monitoring Service, the FIU, remains an untapped tool for discovering money laundering related to a variety of predicate offenses. There is a lack of information sharing among relevant Georgian government agencies and departments. The GOG should work to ensure law enforcement officials are able to conduct investigations effectively. Georgian law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. For example, investigations into narcotics, extortion, weapons of mass destruction, and smuggling rarely pursue financial components.

## Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the eurozone, using a currency widely available in Europe, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist financing because of its large economy, advanced financial institutions and strong international linkages. 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 sources of laundered funds in Germany. There is little current data on the volume of these proceeds. Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal sector, and informal value transfer systems such as hawalas may be used by immigrant populations accustomed to such systems in their home countries, but there is little idea of the scale of this activity.

Trends in money laundering include electronic payment systems; financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions; and trade in rare metals, electronics, and energy. Free zones of control type I, i.e., freeports, exist in Bremerhaven, Cuxhaven, and Hamburg. Deggendorf and Duisburg are control type II Free zones, i.e., unfenced inland ports.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Credit, financial services, payment and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 12,868 in 2011

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Credit, financial services, payment and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1,070 in 2011

***Convictions:*** 903 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Germany is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In December 2012, German prosecutors opened investigations against 25 employees of the Deutsche Bank. Five of them were arrested on charges of serious tax evasion, money laundering and attempted obstruction of justice in connection with emissions certificate trading.

On December 29, 2011, a law on Optimizing the Prevention of Money Laundering entered into force, tightening existing regulations. The law provides for the expansion of due diligence and reporting obligations in the non-financial sector. It also increases punishments for money laundering violations. The law also incorporates new provisions for e-money, enacting stricter reporting requirements for all e-money transactions greater than €100 (approximately $129). Finally, the new law expands the number and type of obliged entities required to appoint a money laundering officer. On November 8, 2012, the German Parliament passed an amendment to Germany's Law Against Money Laundering to tighten control over the increasing number of casinos and slot machines and to regulate online gaming, which previously had been prohibited in Germany. The new law bans gift cards, subjects online gaming companies to KYC rules, requires online gaming operators to have better risk management, and strengthens the power of regulators.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed STRs. Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately $129,000) under the Money Laundering Act. Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code. While Germany has no automatic CTR requirement, large currency transactions frequently trigger a STR. Germany should consider strengthening the above provisions and also tightening the regulations on domestic PEPs.

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted. Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany should become a party to the UN Convention against Corruption.

## Ghana

Ghana is becoming an important regional financial center, including for illicit financial activity. Most of the money laundering in Ghana involves narcotics, various forms of fraud, and public corruption. Criminals launder illicit proceeds through investments in banking, insurance, real estate, automotive and general import businesses, and reportedly, donations to religious institutions. Financial crimes, such as advance fee fraud, known locally as "sakawa;" stolen

credit card and ATM account numbers originating in Ghana; and check cloning continue to increase. Public corruption is a major source of money laundering in Ghana, occurring mainly through public procurements and the awarding of licenses. Informal financial activity accounts for approximately 45 percent of the total Ghanaian gross domestic product. Trade-based money laundering is sometimes used to repatriate "profit" or to evade customs duties and other taxes. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases, smugglers transport 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. Ghana is also one of the top destinations for stolen cars, many originating in the United States.

In September 2007, the first offshore banking facility in Ghana was established. Regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs).

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

In February and June 2012, the Financial Action Task Force (FATF) included Ghana in its Public Statements due to Ghana's deficiencies in combating money laundering and terrorist financing. In October 2012, in recognition of the efforts Ghana expended, the FATF removed Ghana from its Public Statement.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations (NGOs), accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers, funds

remitters and exchanges, dealers in motor vehicles, and dealers in precious minerals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 359: January 1 – December 22, 2012
***Number of CTRs received and time frame:*** 386,303: July 1 – December 22, 2012
***STR covered entities:*** Banks, discount houses, finance companies, and money brokers; factors; project financiers and consultants; plant and equipment leasing firms; debt, investment, pension, and fund managers; private ledger services; export finance firms; lawyers, notaries, and accountants; religious bodies and NGOs; money remitters; securities firms; casinos; insurance and real estate companies; auctioneers, dealers in cars and precious metals and stones; and, trust and company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Ghana is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Ghana.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Ghana (GOG) has made significant progress in improving its anti-money laundering/counter-terrorist financing (AML/CFT) regime. In 2012, the GOG criminalized participation in organized criminal activity and racketeering, sexual exploitation, migrant smuggling, and illicit arms trafficking; adopted implementing regulations for the Anti-Terrorism Act and Economic and Organized Crime Act; and established and implemented adequate measures for the confiscation of funds related to money laundering. New Central Bank guidelines improve customer due diligence measures and extend enhanced due diligence procedures to foreign as well as domestic PEPs. Cash Transaction Reports (CTRs) for amounts above the equivalent of $20,000 must be filed electronically with the Financial Intelligence Centre (FIC). In addition, the GOG has stepped up the promotion of public awareness and understanding of financial crime, money laundering, and terrorist financing activities via training and workshops for bankers, lawyers, and government officials. The GOG has made the FIC fully functional with the deployment of AML/CFT analytical software and at least seven analysts trained in basic financial analysis techniques.

On August 21, 2012, Ghana became a party to the UN Convention against Transnational Organized Crime.

The GOG should continue to address the remaining deficiencies in its AML/CFT regime, including by enacting laws to require companies to identify beneficial owners and to require the true names of all onshore and offshore entities and their beneficial owners to be held in a registry accessible to law enforcement officials. The GOG should take steps to ensure that its emergence as an offshore banking center and tax haven do not fuel corruption and crime in West Africa. As Ghanaian mineral and oil production begins to generate wealth, the need for transparency and financial safeguards becomes particularly urgent.

## Gibraltar

Gibraltar is considered an overseas territory of the United Kingdom (UK). In 2006, a referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center which is small internationally, but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, and other financial centers. Bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes, but the territory is heavily policed on land and at sea due to the risk of these activities occurring within its borders or territorial waters.

Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment in southern Spain of organized criminal groups from Eastern Europe, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, mutual savings companies, insurance companies, financial consultants, investment businesses, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high value goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 510 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Any legal person, whether or not they conduct financial services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 1 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Gibraltar has a comprehensive range of anti-money laundering/counter-terrorist financing laws. Some powers only available in drug related cases should be extended to money laundering cases involving the proceeds of other crimes. The Financial Services Commission should continue to review regulatory and supervisory practices to keep pace with new developments.

Gibraltar is a member of the Group of International Finance Centre Supervisors.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar's international affairs and may arrange for the ratification of any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 Drug Convention, the UN Convention against Corruption, and the International Convention for the Suppression of the Financing of Terrorism have not yet been extended to Gibraltar, although the legislation for such extension is in place.

## Greece

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings indicate Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes have increased in recent years and criminal organizations (some with links to terrorist groups) increasingly are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that

generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. Due to the large informal economy it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

Greece has three free trade zones (FTZs), located at the Piraeus, Thessaloniki, and Heraklion port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 3,586: January 1 - November 30, 2012

***Number of CTRs received and time frame:*** 47: January 1 - November 30, 2012

***STR covered entities:*** Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors and audit firms; tax

consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 279 in 2012
***Convictions:*** Not available

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

Greece is a member of the Financial Action Task Force. Its most recent mutual evaluation report can be found here: http://www.fatf-gafi.org/documents/documents/mutualevaluationofgreece.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Greece (GOG) has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Although the FIU has technical and data management systems and capacities to support its functions, the GOG, due mainly to austerity measures, has not provided adequate financial resources to ensure the FIU will be able to fulfill its responsibilities and ensure its powers are in line with international standards. It also remains unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece should take steps to ensure a more effective confiscation regime. While the anti-money laundering/countering the financing of terrorism (AML/CFT) law contains provisions allowing civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to initiate civil procedures and currently do not do so, except in cases involving the death of a suspect. The GOG also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

The GOG requires transactions above €3,000 (approximately $3,965) be executed with credit cards, checks or cashiers' checks and all business-to-business transactions in excess of €3,000 (approximately $3,965) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check or wire transfer. Transfers in excess of €100,000 (approximately $132,150) are subject to examination. Nevertheless, the GOG should ensure its system for reporting large currency transactions is applied equally across all regulated sectors and explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The GOG should ensure domestic PEPs are also subject to enhanced due diligence, ensure that designated non-financial businesses and professions are adequately supervised and subject to the

same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

## Grenada

Grenada is not a regional financial center. Grenada's geographic location in the Caribbean places it in close proximity to drug shipment routes from South America to the United States and Europe. As a transit location, money laundering in Grenada is primarily related to smuggling and drug trafficking by domestic organized crime rings. Illicit proceeds are typically laundered through a wide variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

Currently there is no offshore banking in Grenada, although offshore banking and trust companies and international business companies are allowed. There were reports that one international betting company was licensed to conduct business in Grenada, but no casinos or Internet gaming sites are in operation. There are no free trade zones in Grenada.

Bearer shares are not permitted for offshore banks. The International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. Grenada's economic citizenship program remains suspended, though the newly installed government recently announced plans to revive it.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 127: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 8 in 2012
***Convictions:*** 2 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Grenada is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=345&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During 2012, the Government of Grenada (GOG) made substantial progress in improving its anti-money laundering/counter-terrorist financing regime. Grenada passed the Financial Intelligence Unit Act which establishes its FIU and formally delineates its powers. To improve quite limited cash seizure, restraint and forfeiture provisions, the GOG passed the revised Proceeds of Crime Bill. While the criminal confiscation provisions are an improvement on similar legislation passed in 2003, these provisions remain severely limited. The 2012 Act does not contain, for instance, civil recovery provisions. Much work remains to be done to implement the new laws, regulations, and guidelines.

Grenada should become a party to the UN Convention against Corruption.

## Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of synthetic-drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the money of the customers (usually Guatemalans with average deposits of $100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2012, there were seven "offshore" entities, with head offices in Panama, the Bahamas and Puerto Rico. These "offshore" banks are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) regulations as any local bank. Guatemala has 18 active free trade zones (FTZs) and nine more are scheduled to start operations soon. FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance and video lotteries operate, both onshore and offshore. Unregulated gaming activity represents a significant money laundering risk.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks; credit unions, finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; notaries and accountants; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 417: January 1 - October 31, 2012
***Number of CTRs received and time frame:*** 6,873,560: January 1 - October 31, 2012
***STR covered entities:*** Banks; credit unions, finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; notaries and accountants; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 108: January 1 - November 15, 2012
***Convictions:*** 20 people in 19 cases: January 1 - November 15, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Guatemala is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_(Final)_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Staffing of the Financial Intelligence Unit (IVE) has increased over the last several years and the number of STRs filed has also increased since the unit's beginning. However, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of law enforcement officials and of Public Ministry (i.e., the Attorney General's office) staff may hamper these authorities from enforcing the law and prosecuting and successfully convicting more cases.

In December 2009, former President Alfonso Portillo was indicted on one count of conspiracy to commit money laundering in the United States. On August 26, 2011, Guatemala's Constitutional Court unanimously upheld the U.S. request to extradite former President Portillo on that charge. The Public Ministry is still awaiting the outcome of its appeal of Portillo's May 9, 2011 acquittal on embezzlement charges in Guatemala, and the extradition remains pending based on the outcome of that case. On August 29, 2012, the Constitutional Court rejected a request from Portillo's lawyers for an injunction against former President Alvaro Colom's administrative approval of the extradition.

Law enforcement agencies report that money laundering continued to increase during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement ($10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico. A law regarding asset forfeitures took effect in June 2011, and allows Guatemalan authorities to seize cash used in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law also prevents new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013, but it is not clear what the consequences will be for failure to do so.

In October 2010, Guatemalan monetary authorities approved a regulation to establish limits for cash deposits in foreign currency, notably requiring more information and bank certification for transactions totaling over $3,000 per month. According to law enforcement authorities, banks' purchases of foreign currency declined 34 percent during the first nine months of 2011, and an additional 16 percent during a similar period in 2012.

Guatemala's anti-money laundering law does not cover all designated non-financial businesses and professions included in the international standards. However, real estate agents and dealers of vehicles, art and antiquities, and precious metals and stones are covered under the CFT law. Notaries, auditors, and lawyers are also covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for lawyers.

The Government of Guatemala (GOG) should put into force a gaming law to regulate the industry and reduce money-laundering potential. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to Anti-Money Laundering Unit supervision. A draft gaming law is now under consideration by key members of Congress. In October 2012, the Guatemalan Congress approved an anti-corruption law that increases penalties for existing crimes and adds new crimes such as illicit enrichment and trafficking in influence. If implemented well and enforced, the new law should help to reduce corruption as one of the main sources of money laundering in the country.

Tipping off is not criminalized and there is no provision to protect STR filers from liability. Reportedly, concerns have been expressed by covered entities that fear there may be repercussions if they file reports. The GOG should amend its AML/CFT legislation to include such provisions.

## Guernsey

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

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds, safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and eGambling services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 537: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** All businesses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 4 in 2012
***Convictions:*** 4 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

The IMF's Report on Anti-Money Laundering and Combating the Financing of Terrorism for the Bailiwick of Guernsey can be found at: http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the U.S., using the full range of investigatory powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey has a comprehensive AML/CFT legal framework and most shortcomings appear to be technical in nature. While no shortcomings have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering cases resulting in convictions raise questions concerning the effective application of money laundering provisions.

Some concerns have been raised about relatively recent changes to the law on foundations which appear to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any Convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick on April 3, 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

## Guinea

Guinea is a known hub for packaging and distribution of narcotics in West Africa. It is widely suspected that the lack of record keeping, weak law enforcement, corruption, and the informal cash-based economy provide a fertile environment for other illegal activities that are predicate offenses for money laundering. There is an extensive black market for smuggled goods in Guinea that includes illegal drugs from Guinea-Bissau and Sierra Leone, ammunition and weapons from Guinea-Bissau, and powdered milk from Gambia and Senegal. Local officials believe the sale of counterfeit currency in Guinea involves money laundering. Reportedly, segments of the large Lebanese expatriate community launder the proceeds of outside criminal activity by purchasing or constructing buildings in Guinea for immediate sale. Other money laundering methods used in Guinea include the purchasing of diamonds or gold for resale. Stolen cars from the United States are also often destined for West African markets, including Guinea. However, due to limited law enforcement capacity, authorities are challenged to determine the nexus between illicit funds and criminal organizations and possible links with terrorism financing.

Although public corruption is endemic, it is difficult to prove that corrupt Guinean officials are involved in laundering activities. Most illicit funds are transferred via the widespread and well established network of money-transfer agents that operate in the local markets. The only financial reporting that occurs is between local banks and the central bank of Guinea.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, NGOs, lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 8 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, NGOs, lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Guinea is a member of the Inter Governmental Action Group against Money Laundering and the Financing of Terrorism in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: www.giaba.org

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Because money laundering and trafficking issues are not considered priority topics, the Government of Guinea (GOG) has not yet criminalized money laundering or terrorist financing in a way that comports with international standards. Additionally, although many types of entities are covered under the anti-money laundering law, the reporting and customer due diligence procedures are not fully enforced or implemented; and many entities are not subject to

comprehensive supervision or regulation. Furthermore, although some controls exist for cross-border currency tracking, they relate to customs fraud. Customs officials have no authority to enforce anti-money laundering/counter-terrorist financing controls.

Although institutions are in place to investigate money laundering and financial irregularities, they are hampered by corruption, political tension, and serious limitations in authority and scope. Because of these issues, Guinea's fledgling financial intelligence unit (FIU), headquartered in the Central Bank, is not operational. The Guinean security forces are ill-equipped, disorganized, and under-trained. For the last several years, they have been reliant upon outside assistance and training in matters involving money laundering.

The GOG has been cooperative with U.S. law enforcement efforts, to include an ongoing case with the U.S. Secret Service involving the sale of counterfeit U.S. currency. However, Guinea refused a criminal extradition to France in 2007 because of the likely involvement of high-level officials in a Guinean drug shipment seized in France. Corruption within the judiciary as well as funding shortages and ineffective law enforcement make it difficult for Guinea to cooperate fully with foreign governments to combat financial crime. Guinea is ranked 154 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index.

The GOG should criminalize money laundering and terrorist financing in line with international standards and assign resources to implement a comprehensive legal and regulatory framework. Although Guinea has a tipping off provision, it only applies to the subject of a STR; it should be expanded to apply to disclosure to any third person. The GOG also should strive to staff and train its law enforcement, FIU, judiciary, intelligence, and customs service to recognize and combat financial crimes, including money laundering. The GOG should become a party to the United Nations Convention against Corruption.

## Guinea-Bissau

Guinea-Bissau continues to experience political disruptions due to the transit of narcotics and the related flow of money. The cohesion and effectiveness of the state itself is very poor; corruption and impunity are major problems and the judiciary has demonstrated its lack of integrity on a number of occasions. There have been links between representatives of the state, military officers, and drug trafficking networks. The Bissau-Guinean police have seized a number of major drug shipments in past years; however, some of the arrested traffickers and seized narcotics have later vanished from the state's prisons and coffers, with no explanation forthcoming from the Bissau-Guinean authorities. In April 2010, the United States Treasury froze the assets of two top Bissau-Guinean military officers and designated them as drug kingpins.

One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is a significant contributor to its economy. Traffickers from Latin America and collaborators from the region continue to take advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, corruption, and general insecurity to make the country a major transit point for cocaine destined for consumer markets, mainly in Europe. A multitude of small offshore islands, upon or near which plane drops are made, and

complicit officials and military officers able to sidestep weak and under-resourced enforcement efforts with impunity contribute to the problem. The Transition President has declared the problem a top priority for his administration.

The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised. It also is dwarfed by the size of the underground economy.

On May 18, 2012, the United Nations Security Council adopted resolution 2048, imposing travel bans on five Bissau-Guinean military officers in response to the seizure of power from the civilian government on April 12, 2012. On May 31, 2012, the European Union followed with a travel ban and freezes on the assets of the military junta members running the government.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All crimes approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, NGOs, lawyers, accountants, and notaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Guine-Bissau.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Guinea-Bissau (GOGB) is not in full compliance with international conventions against money laundering and terrorist financing due to inadequate resources, weak border controls, under-resourced and understaffed police, and other compelling national priorities. Political dysfunction and corruption – including the military's complicity in drug trafficking – are key contributors to this condition.

The Anti-Money Laundering Uniform Law, which applies to all members of the Economic Community of West African States (ECOWAS), is ineffectively enforced. The financial intelligence unit (FIU) became operational in 2011 but has yet to recruit technical staff. Guinea-Bissau's new Law on the Financing of Terrorism has yet to receive Presidential assent, and therefore has yet to be enacted.

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 amount to informing the subject of an investigation. In addition, banks may be reluctant to file suspicious transaction reports for fear of alerting the subject because of an allegedly indiscrete judiciary. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries hampers implementation.

The GOGB needs to improve the coordination of efforts at the national, sub-regional, regional and international levels, reforming the country's institutions and conducting further research to gain an accurate understanding of the scale of the problem. The GOGB should continue to work with its bilateral and ECOWAS partners, including GIABA, to establish and implement an effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. The GOGB needs urgent help to restore sovereignty, administer justice, and establish border controls. The GOGB should ensure the sectors covered by its AML law have implementing regulations and competent supervisory authorities to ensure compliance with the law's requirements. It should enact and implement its terrorist financing law to comport with international standards. The GOGB should recruit technical staff for its FIU and ensure its operational independence. It should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

## Guyana

Guyana is neither an important regional nor offshore financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and

for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem. Reportedly, the narcotics trade may be increasingly linked to arms trafficking involving Europe and the Western Hemisphere.

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

Guyana's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. There are free trade zones operating in the country. There are no reported hawala or other money or value transfer services. Casinos are legal in Guyana and may pose a risk for money laundering.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service

providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** None
***Convictions:*** None

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Guyana (GOG) needs to increase the implementation of the 2007 Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation and improve its effectiveness. It also needs to provide additional resources to the expanded financial intelligence unit (FIU). Guyana's regulations with regard to suspicious activity reporting, wire transfers and customer due diligence need to be strengthened. The GOG should specifically criminalize tipping off.

The GOG is highly centralized and hierarchical, with significant decisions requiring presidential approval. This discourages individual initiative and the exercise of individual discretion, and money laundering investigations are extremely slow. The GOG needs to raise the awareness and understanding of the anti-money laundering regime and the AML/CFT law of the agencies with capacity to investigate money laundering cases and the judicial system.

## Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not at this time appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency, and all property confiscations involve significant drug traffickers convicted in the United States.

Foreign currencies comprise approximately 57% of Haiti's bank deposits, according to Haitian Central Bank estimates, likely due to the large influx of remittances, which reached $1.5 billion in 2011.

The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed; however, online gaming is illegal.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 43: January 1 through October 31, 2012
***Number of CTRs received and time frame:*** 264,099: January 1 through October 31, 2012
***STR covered entities:*** Banks

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 6: Time frame unknown
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Haiti is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=342&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In the past year, the Government of Haiti (GOH) passed a new banking law that includes provisions relating to anti-money laundering (AML) prevention. The new provisions give the

Central Bank the authority to issue regulations binding on banks and money service businesses relating to money laundering, and the power to impose penalties for non-compliance. The Central Bank issued guidelines to commercial banks, currency exchange agencies and money transfer companies on customer due diligence obligations. Significantly, there was a 49% decrease in the number of STRs from the previous reporting period. Anti-corruption and AML legislation are currently under consideration in Parliament and are identified as a priority by the executive branch.

The GOH should continue to devote resources to building an effective anti-money laundering/counter-terrorism financing regime, to include continued support to units to investigate financial crimes and the development of an information technology system. The GOH remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. New criminal and criminal procedural codes that address these problems are currently pending in the Council of Ministers. The GOH should pass the long pending anti-terrorism legislation that will criminalize terrorist financing and allow the immediate freezing of terrorist assets without delay. Haiti also should take steps to establish a program to identify the cross-border movement of currency and financial instruments.

## Holy See (Vatican City)

The Holy See is an atypical government, being simultaneously the supreme body of government of the Catholic Church, and a sovereign entity under international law. It operates from Vatican City State, a 0.44 square kilometers (0.17 square miles) territory created to provide a territorial basis for the Holy See. The Institute for Works of Religion (IOR) performs functions similar to that of a bank, so it is commonly referred to as the "Vatican Bank." Unlike a normal bank, the IOR does not loan money, and IOR accounts do not collect interest; nor does the IOR make a profit for shareholders or owners. Rather, the IOR acts as a clearinghouse for Vatican accounts, moving funds from Catholic Church sources to Catholic Church destinations.

There is no market for illicit or smuggled goods in Vatican City, and there are no indications that trade-based money laundering occurs in the jurisdiction. There are no indications of any ties to terrorist financing activity. The population of Vatican City, around 800, consists almost entirely of priests (Holy See officials) and members of religious orders.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** All institutions, entities, or persons dependent on the Holy See, including Dicasteries of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as designated non-financial businesses and professions

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

***Number of CTRs received and time frame:*** 3,000: January 1 – July 31, 2012

***STR covered entities:*** All institutions, entities, or persons dependent on the Holy See, including Dicasteries of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as designated non-financial businesses and professions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

The Holy See is an active observer 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 can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/countries/HolySee_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On January 24, 2012, the Holy See acceded to the 1988 UN Drug Convention, the UN International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime. It is not yet a party to UN Convention against Corruption.

The Holy See changed its laws in January 2012. While there remain some issues, the Holy See has made significant progress in advancing its AML/CFT regime. The law fully criminalizes money laundering and the financing of terrorism. The new law also requires the Vatican's financial intelligence unit (FIU) to sign memoranda of understanding with other FIUs prior to financial intelligence sharing. Holy See authorities possess sufficient powers to freeze, seize, and confiscate criminal funds and assets, and Law No. 159 gives full force and effect to the freezing of funds associated with terrorism and terrorism financing. An STR regime and clear guidance on indicators of anomalous transactions have been set out.

Vatican City State's Gendarmerie has responsibility for investigating financial crime and money laundering offenses, though the Gendarmerie officials have not received sufficient training in this field.

## 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.

Honduras' geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without visas; however, citizens can be subject, where necessary, to immigration or customs inspections. The agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

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 are known to pass through remittance companies, currency exchange houses and the construction sector; laundering money through the automobile and real estate sectors may be increasing. These factors, combined with the country's 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 liquor, firearms, gasoline, illegally caught lobster, and cigarettes.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, lending companies, and financial service companies; check cashers; issuers or processors of financial instruments, traveler's checks, or money orders;

money transfer businesses; stock exchange, exchange houses, exchange posts; general deposit warehouses; public and private pension managers; insurance companies; casinos and gaming establishments

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 700: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** 122,643: January 1 – October 31, 2012
***STR covered entities:*** Banks; insurance companies; money exchange or remittance services; cooperative institutions and financial societies; credit card issuers; securities firms; private or public pension funds; notaries; real estate intermediaries; car dealers; dealers in precious metals, jewels, art and antiquities; and lotteries and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 27 in 2012
***Convictions:*** 10: January 1 – October 31, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Honduras 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/Honduras_3rd_Round_MER_%28Final%29_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Lack of data and systematic analysis makes it difficult for the Honduran government to identify trends in money laundering. The National Banking and Insurance Commission (CNBS) is the primary regulator for anti-money laundering/counter-terrorist financing (AML/CFT) compliance. The CNBS' capacity to conduct compliance investigations is limited due to insufficient staff and infrequent training. Similarly, the Financial Investigation Unit (FIU), which is housed within the CNBS, is fully operational but inadequately staffed. Low staffing levels combined with increased responsibility delay response times for prosecutors' information requests. The FIU does not have operational and budgetary independence.

Lack of cooperation, communication, and coordination at all levels within the Government of Honduras (GOH) obstructs a higher success rate in investigations and prosecutions. At the ministerial level, the Interagency Commission for the Prevention of Money Laundering and Financing of Terrorism (CIPLAFT) was created in 2004 to address these challenges. The CIPLAFT was a non-functioning body during the previous government, but the present administration increased resources and the CIPLAFT takes the lead in coordinating public offices that play a role in the implementation of the Asset Forfeiture Law. The GOH designed a national security strategy, and efforts are being made to include asset seizure and forfeiture policy in the strategy.

The GOH also should develop an integrated national strategy against criminality and impunity to support the AML/CFT regime improvements. Insurance brokers, lawyers and accountants are obligated to report suspicious transactions, but in practice, no reports are filed. The legality of bearer shares presents a significant money laundering vulnerability. The GOH should fully implement its laws requiring the establishment of a supervisory entity for designated non-financial businesses and professions and adopt implementing regulations to bring those entities under the AML/CFT regime. While mechanisms are in place to freeze terrorist assets, systematic inefficiencies and lack of capacity hinder timely action.

## Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of December 2012, Hong Kong's stock market was the world's sixth largest, with $2.83 trillion in market capitalization. Already the world's tenth-largest banking center in terms of external transactions and the sixth-largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating as of November 2012 over $91 billion in RMB-denominated deposits at authorized institutions. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls, present vulnerabilities for money laundering, including trade-based money laundering. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong (GOHK) officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, securities and insurance entities, money exchangers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 17,795: January 1 – September 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** All persons, irrespective of entity or amount of transaction involved

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 131: January 1 - September 30, 2012
***Convictions:*** 137: January 1 - September 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance, or AMLO, went into effect in April 2012. It mandates preventive AML measures, including customer due diligence and record keeping requirements. AMLO also establishes a licensing and regulatory regime for remittance agents and money changers and provides statutory powers to financial regulators to supervise compliance. The GOHK is evaluating the feasibility of a cross-border currency reporting system, along with necessary legislative and resource requirements.

Hong Kong should institute mandatory oversight for designated non-financial businesses and professions, and implement mandatory cross-border currency reporting requirements, both potential loopholes for money launderers and terrorist financiers. The recent increase in the number of STRs submitted by financial institutions should be addressed through allocation of sufficient analytical and investigative resources. The GOHK also should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should also closely examine trade-based money laundering.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

## Hungary

Hungary is not considered a major financial center; however, its European Union (EU) membership and its location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well developed financial services industry make it attractive to foreign criminal organizations. Hungary has been identified as a transit country for illegal drugs coming from Turkey and Asia and moving to other European destinations. Research suggests that, since entry into the European Union's Schengen zone, this vulnerability has increased. Particular vulnerabilities may exist on the Hungarian -Ukrainian border in the areas of tobacco smuggling and trafficking in persons.

Authorities believe money laundering cases mostly stem from financial and economic crimes such as tax related crimes, fraud, embezzlement, misappropriation of funds, and social security fraud. Illicit proceeds also result from narcotics trafficking, prostitution, trafficking in persons and organized crime activities. Other prevalent economic and financial crimes include real estate fraud and the copying/theft of bankcards. There is a black market for smuggled goods in Hungary, primarily related to customs, excise, and value-added tax evasion. No international terrorist groups are known to operate in Hungary.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***All serious crimes approach or list approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; investment service providers, employer pension services, and commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos or card rooms; precious metal and high value goods traders; lawyers; and notaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 6,312: January 2012 - October 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; investment service providers, employer pension services, and commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers;

auditors; accountants; tax consultants and advisors; casinos or card rooms; precious metal and high value goods traders; lawyers; and notaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 9: January - May 2011
***Convictions:*** 5: January - May 2011

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

Hungary 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 evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2011, the Government of Hungary (GOH) adopted an Action Plan to address anti-money laundering/counter-terrorist financing (AML/CFT) issues. As a consequence of the execution of the Action Plan, significant legal and institutional changes are planned in the Hungarian AML/CFT system but all have not yet been implemented. International experts have raised concerns about the lack of enhanced due diligence requirements for domestic politically exposed persons (PEPs), record keeping for designated non-financial businesses and professions, and reporting of large transactions. Hungary's Parliament should ensure it adopts draft amendments as soon as possible to correct noted deficiencies.

The GOH has introduced sanctions for no or false declaration of the cross-border movement of cash; the new law now includes a proportionate administrative fine to be paid on the spot, up to 60% of the non-declared amount. The customs authority has the ability to detain the cash if there is a risk of non-payment of the fine.

Hungary also has established a procedure for the purpose of sanctions delisting for both the relevant UN and EU delisting requests. The National Institute of Criminology has started the work on the National Risk assessment regarding money laundering/terrorism financing. The National Risk assessment was finalized late in 2012 but has not yet been published.

## Iceland

Iceland is not considered a regional financial center. Money laundering in Iceland is related primarily to narcotics smuggling and underground casinos. Financial crimes concerning market manipulation have been prosecuted, but it is not clear the scale of money laundering involved in such activities. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. Following the January 1, 2012 merger of the Economic Crime Unit (ECU) at the National Commissioner of the Icelandic Police and the Office of the Special

Prosecutor (OSP), the OSP continued investigations of criminal actions in connection with, or in the wake of, the 2008 collapse of Iceland's financial system.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 360 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 1 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Iceland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/54/38/37706239.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Iceland (GOI) has improved its anti-money laundering/counter-terrorist financing (AML/CFT) system through the implementation and enforcement of existing laws. A domestic mechanism should be implemented to allow designation of terrorists at a national level as well as to give effect to designations and asset freeze requests from other countries. Iceland does have a legal framework that allows authorities to freeze terrorist assets in a timely manner;

however, all orders to freeze assets must have prior judicial approval. The country does not have asset sharing capabilities. The GOI should continue to enhance its AML/CFT program as appropriate.

The 2012 merger of the ECU and the OSP, which is responsible for investigating the banking collapse, is considered important in separating law enforcement and prosecution activities. The OSP has filed charges in cases related to the collapse, as appropriate. The National Commissioner of the Icelandic Police continues to operate the financial intelligence unit (FIU), which oversees AML/CFT matters. The FIU continues to participate in the interagency committee on measures against money laundering. However, as the financial operation fee allocated to the ECU was transferred from the National Commissioner of Police to the OSP, totaling $1 million annually, there are new budgetary constraints. Additionally, the FIU reports its primary challenge is a shortage of staff and funding.

Under Icelandic law, real estate agents and auditors are not subject to supervision by a public authority. The GOI should appoint supervisory authorities to effectively monitor these service providers, and they should be required to file suspicious transaction reports. Icelandic authorities have admitted the shortcomings, but have not yet found an effective and practical solution to the matter. The FIU should continue educating reporting entities regarding measures against money laundering. According to the FIU, even though considerable progress has been made in this area and most reporting parties now understand their obligations, non-financial institutions appear to lag in meeting the reporting requirements.

## India

India is developing as both a regional economic power and financial center. Its rapidly growing economy has both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, and onerous tax administration and currency controls contribute to its vulnerability to economic crimes, including fraud, cybercrime, identity theft, money laundering and terrorist financing. India's porous borders and location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for drug trafficking. Proceeds from Indian-based heroin traffickers is widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

High-level corruption both generates and conceals criminal proceeds. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. The most common money laundering methods include: opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering to disguise the criminal origin of funds. Companies use trade-based money laundering to evade capital controls. Tax avoidance and the proceeds of economic crimes are significant vulnerabilities but laundered funds are also derived from narcotics trafficking, trafficking in persons and illegal trade. Counterfeit Indian currency is also a significant problem. Criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of terrorist groups, both foreign and domestic. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawalas and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs sold by India-based extremist elements to production and/or trafficking groups in neighboring countries.

India licenses seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of November 2012, there were 158 SEZs in operation, and 588 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same anti-money laundering/counter-terrorism financing (AML/CFT) regulations as the domestic sector.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes including mutual funds; and the post office

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 31,317 in 2011
***Number of CTRs received and time frame:*** 10,198,262 in 2011
***STR covered entities:*** Banks, merchant banks and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; financial intermediaries; stock brokers, sub-brokers,

and share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes including mutual funds; and the post office

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** 0

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

India is a member of the Financial Action Task Force (FATF), as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found here: www.fatf-gafi.org/dataoecd/60/56/45746143.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

India has worked to implement an effective AML/CFT regime. The Government of India (GOI) made significant changes to its legal framework to bring it into compliance with international standards. In November 2012, the Lok Sabha (lower house of Parliament) unanimously passed amendments to the Prevention of Money Laundering Act (PMLA). In December 2012, the Rajya Sabha (upper house) also passed the amendments. The amendments to the PMLA widen the definition of money laundering and bring domestic law in line with international standards.

Despite these important steps, deficiencies in India's AML/CFT regime remain. India should address noted shortcomings in both the criminalization of money laundering and terrorist financing and in the domestic framework of confiscation and provisional measures, and ensure all relevant sectors of designated non-financial businesses and professions are complying with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of December 2012, the GOI had not successfully won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while the GOI has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their GOI counterparts. While intelligence and investigative information supplied by U.S. law enforcement

authorities have led to numerous money seizures, a lack of follow-through on investigational leads has prevented a more comprehensive offensive against violators and related groups.

The GOI is taking steps to increase financial inclusion through "small [banking] accounts," but should consider further facilitating the development and expansion of alternative money transfer services in the financial sector, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. The GOI should extend its safe harbor provision to also cover staff or employees of institutions.

## Indonesia

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, such as Jemaah Islamiyah (JI), a loose network of JI spin-off groups, and Jemaah Anshorut Tauhid (JAT), which obtain financial support from both domestic and foreign sources, are present in the country.

Most money laundering in Indonesia is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, facilitated by thousands of miles of unpatrolled coastline, sporadic law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong yet embattled Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for anti-money laundering/counter-terrorist financing (AML/CFT) regime implementation.

In October 2012, the Financial Action Task Force (FATF) placed Indonesia on its Public Statement due to Indonesia's failure make sufficient progress in implementing its AML/CFT action plan. According to the FATF announcement, Indonesia should adequately criminalize terrorist financing; establish and implement adequate procedures to identify and freeze terrorist assets; and amend and implement laws or other instruments to fully implement the International Convention for the Suppression of the Financing of Terrorism.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES D***omestic:*** YES

***KYC covered entities:*** Banks, finance companies, insurance companies and brokers, pension fund financial institutions, securities companies, investment managers, providers of money remittance and foreign currency traders

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 14,383: January 1 to July 31, 2012

***Number of CTRs received and time frame:*** 1,350,643: January 1 to July 31, 2012

***STR covered entities:*** Banks and financing companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services, money remitters and foreign currency changers (money traders); providers payment cards, e-money and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art and antiques; and auction houses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 5: January 1 to July 31, 2012

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although Indonesia's AML legislation provides for the freezing of terrorist assets linked to the UN list of designated terrorists and terrorist organizations, Indonesia continues to lack an effective mechanism to implement UNSCRs 1267 and 1373. Indonesia made little progress in freezing assets of JAT and three of its individual members after they were placed on the UNSCR 1267 list in March and May, 2012. Draft terrorism finance legislation that may address some of the noted deficiencies continues to move forward through the Indonesian legislative process, but progress has been slow and it is uncertain if and when the draft law will be enacted. Prosecution

of terrorism finance cases also remains problematic, as prosecutors and police need additional training to be able to convincingly follow and explain the money trail in a court of law. Judges also need training on money laundering and financial crimes. Corruption, particularly within the police ranks, also impedes effective investigations and prosecutions.

Indonesia's financial intelligence unit (PPATK) works closely with the Central Bank to oversee and implement Indonesia's AML regime. The October 2010 AML legislation, however, has taxed the institution's capacity, and PPATK needs a significant increase in staff to meet its responsibilities under the AML law. In an effort to place some of the legal burden on industry and bank partners, PPATK and the Central Bank work closely with educational institutions throughout Indonesia to develop financial expertise and responsibility among banking and industry in Indonesia.

## Iran

Although not considered a financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are likely a prevalent form of money laundering. Many hawaladars and traditional *bazaari* are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. There are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate. Iran's real estate market also is used to launder money. Iran is ranked 133 out of 174 countries listed in Transparency International's 2012 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing. In October 2012, the FATF again urged jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a state sponsor of terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. Presently, Iranian banks have a diminishing international presence in these regions as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as the FATF statements on Iran's lack of adequate anti-money laundering/counter-terrorist financing (AML/CFT) controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks; and, in March 2012, some Iranian financial institutions were disconnected from the SWIFT international network to curtail their ability to send and receive international wires due to European Union (EU) sanction violations. The United States has designated at least 20 banks and subsidiaries under counter-proliferation and terrorism authorities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** Not available

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** Not available ***Domestic:*** Not available
***KYC covered entities:*** All legal entities, including but not limited to the Central Bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions as well as municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice and legal inspectors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** All legal entities, including but not limited to the Central Bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions as well as municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice and legal inspectors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** Not available

Iran is not a member of a FATF-style regional body.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks, located in Iran and overseas, designated in connection with Iran's proliferation activities (E.O. 13382); one state-owned Iranian bank (Bank Saderat and its foreign operations) designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

Additionally, Iran has been the subject of several United Nations Security Council resolutions (UNSCR) and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation sensitive nuclear activities. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 amending the Iran Sanctions Act of 1996, makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum or goods and services for Iran's refined petroleum sector.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. On August 10, 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012 was enacted, expanding sanctions on Iran's energy sector and against human rights violators. These build upon the sanctions from previous U.S. legislation and UNSCRs.

In February 2009, the FATF first urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships

being used to bypass or evade countermeasures or risk mitigation practices. In October 2012, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

The EU also has adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted several measures, including sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade. In October 2012, the EU approved legislation placing further restrictions on financial transactions with Iran, and strengthening prohibitions on the export of dual-use items and technologies, and the import of Iranian gas.

## Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Narcotics trafficking and narcotics-based money laundering are not major problems. However, smuggling is endemic, often involving consumer goods, cigarettes, and petroleum products. Bulk cash smuggling, trafficking in persons, and intellectual property rights violations have also been reported. Ransoms from kidnappings and extortion are often used to finance terrorist and criminal networks. Credible reports of counterfeiting exist. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations the opportunity to earn, move and store supporting funds and illicit proceeds under the guise of legitimate trade. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Corruption is a major challenge and is exacerbated by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community. U.S. dollars are widely accepted and are used for many payments made by the U.S. government, as well as foreign assistance agencies and their contractors.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law, goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region. Iraq is investigating the application of a new customs tariff regime.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 43 in 2011
***Number of CTRs received and time frame:*** 1,320 in 2011
***STR covered entities:*** Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its mutual evaluation can be found here:
http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although the only anti-money laundering (AML) statute in Iraq, the AML Act of 2004 issued under Coalition Provisional Authority Order 93, is broad enough to reach even beyond serious crime, the criminalization under the 2004 law is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. New draft anti-money laundering/countering the financing of terrorism (AML/CFT)

legislation is currently under review by Iraq's Shura Council, Council of Ministers and some members of the Iraqi Parliament.

Some advancement has been made regarding the Iraqi government's support of a viable AML/CFT regime, with the formation in late October 2012 of the Financial Crimes Task Force, a multi-agency body to coordinate investigations of suspected large-scale money laundering and terrorist financing. Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. In addition, the current lack of implementing legislation, weak compliance enforcement by the Central Bank of Iraq (CBI), and the lack of support to the CBI's Anti-Money Laundering Unit (AMLU) all undermine Iraq's ability to counter terrorist financing and money laundering.

The CBI generally does not provide sufficient financial or political support to the AMLU. The AMLU has inadequate staffing and lacks sufficient training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the AMLU staff must process the data received manually as is common in other Iraqi government institutions. The AMLU is empowered to exchange information with other Iraqi and foreign government agencies. Historically the AMLU received little support from Iraqi law enforcement, but that changed in 2011 when the AMLU demonstrated its added value to many of the government's investigations. The Government of Iraq should ensure the AMLU has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are still quite limited, and enforcement is subject to political constraints. In practice, despite customer due diligence requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 45 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either conduct internal investigations or contact the AMLU, which executes an account review to resolve any questionable transactions. In practice, very few STRs are filed.

Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism. Iraq also should ensure adequate political and resource support for the Financial Crimes Task Force and the FIU to allow them to do their work effectively.

## Ireland

Ireland is an increasingly significant European financial hub, with a number of international banks having set up offices in Dublin. Irish authorities consider most money laundering in the country to be of domestic origin, with the primary sources of illicit funds being prostitution, cigarette smuggling, drug trafficking, fuel laundering, domestic tax violations, and welfare fraud. According to Irish law enforcement, money is most commonly laundered through the purchase of high value goods for cash; the transfer of funds from overseas through Irish credit institutions;

the filtering of funds via complex company structures; and the purchase in Ireland of Irish and foreign real property.

Organized criminal groups, often with foreign connections, are active in Ireland. Legacy republican dissident activity has been linked with organized crime.

Customs authorities have intercepted cash being smuggled out of Ireland; a number of such interceptions occurred at Dublin International Airport. Many of these seizures are from outbound passengers and, according to authorities, the currency is intended for the purchase of drugs and/or illegal cigarettes.

While gambling and casinos are officially illegal, open source accounts allege that many Irish cities operate *de facto* casinos under the guise of "private members' clubs." There is one large free trade zone in Shannon, managed by a government agency. There are no reports of illegal activity arising from its operation.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, building societies, the Post Office, stock brokers, credit unions, *bureaux de change*, life insurance companies, and insurance brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 11,168 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, building societies, the Post Office, stock brokers, credit unions, *bureaux de change*, life insurance companies, and insurance brokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 7 in 2011
***Convictions:*** 5 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Ireland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/63/29/36336845.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The international banks are considered well regulated by the Central Bank of Ireland and are not a source of money laundering concern.

Up to 80 percent of the reported suspicious transactions involve domestic tax violations and social welfare fraud. Schemes involving remittance companies, solicitors, accountants, and secondhand car dealerships were also observed.

## Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM originate from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Additionally, identity theft and internet abuse are growing segments of financial crime activity.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance companies and intermediaries; casinos and bookmakers; high value goods dealers and auctioneers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,334 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, accountants, building societies, company service providers, financial advisors, investment/fund managers, life assurance/insurance companies, money service businesses, online gaming entities, post office, stockbrokers, and trust companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

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

Compliance with international standards was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers also allow information to be obtained about that person's financial affairs, and can be used to assist in criminal investigations abroad. The Terrorism (Finance) Act 2009 allows IOM authorities to compile their own list of suspects subject to sanctions as appropriate.

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.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM on December 2, 1993; its ratification of the UN Convention against Corruption was extended to include the IOM on November 9, 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM on September 25, 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM on June 1, 2012.

## 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 an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, and European Union, often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. Israel's illicit drug trade is regionally focused, with Israel more of a transit

country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods, liquor, cigarettes, cell phones, and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gambling rings, retail businesses suspected as money laundering enterprises, and public corruption—including the recent indictment of the former chairman of a major national bank on fraud and money laundering charges.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 34, 548 (33,874 related to money-laundering and 674 related to terrorism financing): January 1 - October 16, 2012
***Number of CTRs received and time frame:*** 839,550: January 1 - October 16, 2012
***STR covered entities:*** Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses and the Postal Bank

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 55: January - September 2012
***Convictions:*** 23: January - September 2012

***RECORDS EXCHANGE MECHANISM:***

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

Israel has observer status with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's (ITA) Anti-Drug and Money Laundering Unit and the Israeli National Police.

The ITA also is the responsible agency for bulk cash smuggling interdiction, and a March 2012 bulk cash smuggling interdiction operation seized more than $200,000 in undeclared currency. Israel also cooperates on extradition requests.

## Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups (especially the Camorra, the 'Ndrangheta, and the Mafia) operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, South America, and Africa. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of various legal and contraband goods. Italy's total black market is estimated to generate as much as 15 percent of GDP ($330 billion). A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorist financing in Italy occurs in both the formal and the informal financial systems, as well as offshore.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 34,458: January 1 - June 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 499: January 1 - October 31, 2012
***Convictions:*** 9 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Italy is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Italy continues to combat the sources of money laundering and terrorist financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

In 2012, Italy made the following key legal, regulatory, and policy changes related to money laundering and terrorist financing: Italy's financial intelligence unit, the Financial Information Unit (FIU), drafted and distributed to KYC- and STR-covered entities guidance for detecting and reporting on unusual practices related to the use of anomalous payment cards for cash withdrawals, international tax evasion and fraud in invoicing and factoring.

In an effort to increase the quantity of STRs reported and the quality and timeliness of the data reported by STR-covered entities, in 2012 the FIU set up a new automated infrastructure for reporting and receiving STRs, issued guidance on the data and information to be included in the reports, and began outreach to STR-covered entities to train them on the new reporting system. The FIU claims the new system has improved the quality of in-depth financial analysis and the timeliness of information flows. Italy should continue its efforts to improve the quality of its STRs.

Although several of the actions taken in 2011 and 2012 were intended to increase the number of STRs filed by non-financial businesses and professions, since these entities continue to file less than one percent of the STRs, Italy must continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers. Italy also should work to ensure domestic PEPs are subject to enhanced due diligence requirements. Italy requires large transactions be reported only in the aggregate.

As in previous years, in 2012 the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy crimes, and terrorist financing. The Direzione Centrale per i Servizi Antidroga, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police, also plays a central role in these efforts.

## Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and financial scams, and is largely controlled by organized criminal groups. Jamaica has experienced an increase in financial crimes related to advance fee fraud (lottery scams) and cybercrime.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; and investment advisors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 334,344 in 2012
***Number of CTRs received and time frame:*** 138,243 in 2012
***STR covered entities:*** Banks, credit unions, and merchant banks; exchange bureaus and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; and investment advisors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Jamaica is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Lengthy delays in processing judicial orders hinder the effectiveness of the Jamaican court system; the Government of Jamaica (GOJ) should establish a financial crimes court to streamline the prosecutorial process specifically related to money laundering and other financial crimes, Proceeds Of Crime Act cases, and terrorist financing cases.

The GOJ's Financial Investigation Division was not accepted for membership in the Egmont Group of Financial Intelligence Units because it could not meet the standards for membership. The GOJ should take steps to remedy all noted deficiencies and re-apply for membership.

## Japan

Japan is a regional financial center but not an offshore financial center. It has one free-trade zone, the Okinawa Special Free Trade Zone, established 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.

Japan continues to face substantial risk of money laundering by organized crime including Boryokudan, Japan's organized crime groups, Iranian drug trafficking organizations, extremist

religious groups, and other domestic and international criminal elements. The major sources of money laundering proceeds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 337,341 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 156 in 2011
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Japan is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws, Japan's compliance with international standards specific to financial institutions is notably deficient. In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act, to improve customer due diligence requirements, including requiring financial institutions to identify the customer's name, address, and date of birth, and to verify the purpose of transaction, business activities, and beneficial owners. However, while the government is in the process of finalizing the subordinate decrees, these requirements do not come into effect until April 28, 2013.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is currently no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. While April 2011 amendments to the Criminal Proceeds Act call for financial institutions to verify a customer's assets and income in certain higher risk situations, the Act delineates those situations as being instances where the use of false identity is suspected, rather than those presented by such factors as business type, customer location, or type of transaction. The current regulations also do not authorize simplified due diligence, though there are exemptions to the identification obligation for customers or transactions believed to pose no or little risk for money laundering or terrorist financing. Japan should implement a risk-based approach to its AML/CFT regime.

The GOJ's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the GOJ's many legal tools and programs to combat these crimes. The National Police Agency (NPA) provides limited cooperation to other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The GOJ should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in the GOJ and foreign jurisdictions.

The GOJ's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has frozen terrorist assets in only a few cases. Japan's system does not cover funds raised by a non-terrorist for use by a terrorist or terrorist organization, reaches only funds, not other kinds of assets, and is limited in its applicability to domestic transactions that do not involve foreign currency. The GOJ should move quickly to enact legislation to allow terrorist assets to be frozen without delay, and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the GOJ should take steps to identify and combat trade-based money laundering.

Japan should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

## Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally responsible for its defense and international representation but has entrusted Jersey to regulate its own financial service sector and to negotiate and sign tax information exchange agreements directly with other jurisdictions.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar. Island authorities undertake efforts to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, fund and portfolio managers; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers and legal professionals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,847 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, fund and portfolio managers; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers and legal professionals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2011
***Convictions:*** 0 in 2011

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

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Terrorist Asset Freezing (Jersey) Law 2011 came into force in April 2011 and replaced previous provisions on the freezing of terrorist assets. Under this law, a person designated by the UN or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes. The Jersey Financial Services Commission website contains a link to the United Kingdom Consolidated List of asset freeze targets, which covers all designations by the UN, the European Union and the UK. Registered persons in Jersey are also encouraged to sign up to an email alert system coordinated by Her Majesty's Treasury in the UK, which alerts people to changes in the asset freeze designations.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead it is able to provide mutual legal assistance to any jurisdiction, including the US, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation (Jersey) Law 2007.

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in November 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism

was extended to Jersey in September 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

Jersey authorities have a continuing concern regarding the increasing incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes.

Jersey requires an obliged entity to obtain all necessary customer due diligence (CDD) information from an introducer immediately at the beginning of a relationship. However, such information may not be required for an intermediary that is considered to present a lower risk. Jersey authorities should explicitly require that all obliged entities obtain all necessary CDD information from the intermediary or introducer at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or introducer's performance of CDD obligations.

Some concerns have been raised about relatively recent changes to the law on foundations which appear to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations.

## Jordan

Although the Hashemite Kingdom of Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and proximity to Iraq, Syria, Saudi Arabia, and Israel and the West Bank make it susceptible to the smuggling of bulk cash, gold, fuel, narcotics, cigarettes, counterfeit goods, and other contraband. Incidents of reported money laundering are rare, and recent cases involve individual foreign and Jordanian actors laundering funds while in public office or employed by publicly-owned companies.

Smuggled goods remain a small but well-known part of daily transactions. Black market cigarettes are widely available, and there is little government effort to curb sales. Jordan Customs sometimes captures at the border drivers carrying cheaper gasoline from Saudi Arabia in false tanks. Smuggling endeavors tend to be small scale, and there is no discernible connection between black market goods and large scale crime such as terrorism. Anecdotal reports also indicate Jordan's real estate sector has often been used to launder illicit funds.

There are six public free trade zones (FTZs) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are many designated private FTZs, a number of which are related to the aviation or chemical and mining industries. FTZ activities vary from industrial, agricultural, pharmaceutical, or vocational to multi-purpose. With the exception of ASEZ, all FTZs are regulated by the Jordan Free Zones Corporation Law and are monitored by the Ministry of Finance. The Aqaba Special Economic Zone Authority, a ministerial level authority, controls the port city of Aqaba.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, exchange companies and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 140: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, exchange companies and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2 in 2012
***Convictions:*** 3 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Jordan's financial intelligence unit, the Anti-Money Laundering and Counter-Terrorist Financing Unit (AMLU/CFT) is a relatively young entity and is still developing its capacity to address money laundering and terrorist financing. The AMLU/CFT is currently moving into a larger upgraded facility and anticipates hiring more staff upon completion of the move into its new offices. In 2012, it became a member of the Egmont Group of Financial Intelligence Units.

Prosecution of money laundering cases takes place in public courts. Prosecutions and convictions for money laundering in 2012 involved both the formal and informal financial sectors. One of the three convictions obtained in 2012 was based on a 2012 referral; two related to 2011 referrals. Convictions in the last year include a highly publicized case involving an official with the Greater Amman Municipality who oversaw Amman's mass transit system and trash removal body. Public perception that corruption exists at high levels in the government continues to build, and the AMLU/CFT expects a heightened responsiveness to this pressure in the coming year.

## Kazakhstan

While not a regional financial center, the Republic of Kazakhstan has the most developed economy and financial system in Central Asia. Governmental corruption, an organized crime presence and a large shadow economy make the country vulnerable to money laundering and terrorist finance. A significant part of Kazakhstan's mineral wealth is held in offshore accounts with little public scrutiny or accounting. The major sources of laundered proceeds are abuse of public office, tax evasion and fraudulent financial activity, particularly transactions using shell companies.

A recent series of terrorist acts confirmed there is an illicit turnover of arms and explosives of unknown origin. The funding source is unclear, as is the destination of the proceeds. In addition, smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen is still a relatively common practice.

Casinos and slot machine parlors are only located in selected territories. The regulation of the gaming sector is within the mandate of the Agency for Sport and Physical Culture which also issues licenses to gaming businesses. Seventy-one licenses were issued for gaming activities from 2007 to May 2012 (19 for casinos, ten for slot machine parlors, 30 for betting offices and 12 for sweepstakes). The vulnerabilities of these businesses to money laundering and government oversight capacity are not known.

Outbound cross-border remittances have increased significantly over the past decade. According to World Bank research, outbound cross-border remittances from Kazakhstan were more than $3 billion in 2010, ten times larger than the size of inbound remittances. The volume of cross-border remittance flows is expected to continue to increase. Informal channels, such as cross-border physical transportation of cash and hawala systems, are used by migrant workers who do not necessarily have identification documentation required by financial institutions, as well as by individuals and businesses that wish to avoid payment of taxes and duties. It is not known whether the formal and informal remittance systems are used to launder money.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.?:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, insurance companies and brokers, pension funds, exchange offices, auditors, notaries and lawyers, gaming centers, professional participants in the securities market

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 57,714: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** 816,808: January 1 – November 30, 2012
***STR covered entities:*** Banks and organizations that conduct banking transactions; stock exchanges; insurance and re-insurance companies and brokers; pension funds; professional participants in the securities market; central depositories; exchange offices and post operators that deal with fund transfers; lawyers and independent legal advisors; commodity stock exchanges; auditors and organizers of gaming businesses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 20: January 1 to September 30, 2012
***Convictions:*** 3: January 1 to September 30, 2012

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other:*** YES
***With other governments/jurisdictions:*** YES

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Kazakhstan's anti-money laundering/counter-terrorist financing (AML/CFT) law does not cover pawnshops, micro-credit organizations, leasing organizations, entities dealing with jewelry and precious metals, financial management firms, travel agencies or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity. The Government of Kazakhstan (GOK) should ensure due diligence and reporting requirements are applied to these entities.

All reporting entities subject to the AML/CFT law are inspected by their respective regulatory agencies, rather than by the financial intelligence unit (FIU). Most of those agencies, however,

lack the resources and expertise to inspect reporting entities in terms of AML/CFT compliance. The National Bank adopted the AML/CFT Inspection Manual covering its reporting entities.

Strict segregation of duties among law enforcement agencies hampers the government's ability to detect, investigate and prosecute money laundering crimes related to serious criminal offenses, including drug trafficking and trafficking in persons. The Financial Police is the only agency responsible for the investigation of money laundering crimes. The Ministry of Interior investigates a wide range of predicate offenses, but does not typically examine the financial aspects of crimes. Kazakhstani law enforcement agencies have recognized the need for a more integrated and coordinated approach to the investigation of money laundering related to serious criminal offenses, perhaps through interagency investigative groups. However, during the first 11 months of 2012 the Financial Police did not conduct any joint money laundering investigations.

The GOK requires more resources to ensure the proper enforcement of its financial crimes regulations. It also should educate local institutions and personnel on further implementation of the AML/CFT law. Additionally, the GOK should criminalize tipping off.

The Criminal Code provides for the mandatory seizure, in part or in whole, of property of any person convicted for miscellaneous predicate offenses as defined in the Code. In an effort to evade such forfeiture, criminals often register their assets in the names of straw owners or relatives. Since the burden of proof lies with law enforcement and can be difficult to meet, law enforcement agencies frequently do not attempt to determine the origin of assets during the initial stage of an investigation.

The legislation does not address the seizure of property of corresponding value or indirect benefits from the proceeds of a crime. During the first nine months of 2012, police were able to recover $108,000 from suspects in 20 criminal cases accused of laundering approximately $655,000 of illegal criminal proceeds. Kazakhstan has no legal framework to allow the government to freeze terrorist assets in a timely manner; all asset freeze orders must have prior court approval. Kazakhstan also lacks a mechanism to share with other countries assets seized through joint or trans-border operations.

## Kenya

Kenya is the largest financial center in East Africa, and its banking and financial sectors are growing in sophistication. It remains vulnerable to money laundering and other financial fraud.

Money laundering/terrorist financing activity derives from both domestic and foreign criminal activity. Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in increasing its internal monitoring and collection procedures. There is a black market for smuggled goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries avoid Kenyan customs duties, but authorities acknowledge they often are sold in Kenya. Many entities in Kenya are involved in

exporting and importing goods, including nonprofit entities. Trade goods often are used to provide counter-valuation in regional *hawala* networks.

The laundering of funds derived from corruption, smuggling, illicit trade in counterfeit goods, drugs, wildlife trafficking and other financial crimes is a substantial problem. Its proximity to Somalia makes Kenya an attractive and likely destination for the laundering of piracy-related proceeds and a financial facilitation hub for al-Shabaab. As a regional financial and trade center for Eastern, Central, and the Horn of 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. Foreign nationals, in particular the large Somali refugee population, primarily use hawala to send and receive remittances internationally. Mobile money, using telecom networks for cash transfers, is increasingly important and makes tracking and investigating suspicious transactions more difficult. Kenya ranks 139 out of 176 countries on the 2012 Transparency International Corruption Perceptions Index.

Kenya is included in the October 19, 2012 Financial Action Task Force (FATF) Public Statement because it has not made sufficient progress in implementing its action plan and continues to have certain strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All crimes approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 85 in 2012

***Number of CTRs received and time frame:*** 0

***STR covered entities:*** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Kenya's most recent mutual evaluation report can be found here: www.esaamlg.org

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and its amendment provide a comprehensive framework to address AML issues and contain appropriate sanctions. The POCAMLA has never been used to prosecute any crimes. The POCAMLA allows for enhanced regulations to evaluate politically exposed persons (PEPs). With Kenya's new constitution, there are now increased vetting procedures in place for PEPs, who are now subject, for the first time, to financial disclosure requirements. Key implementing structures called for in the POCAMLA, like the financial intelligence unit (FIU) and the Assets Recovery Unit, are established and are in the process of becoming fully operational.

The GOK established its FIU, the Financial Reporting Center (FRC), in April 2012 and named an interim director. The FRC has obtained its own office space and is seeking permanent staff but still needs an automated system to analyze suspicious transaction reports (STRs). The FRC issued guidance notes to commercial banks, non-bank financial institutions, and mortgage finance companies regarding their reporting responsibilities and began receiving STRs in October 2012. While currency transaction reports (CTRs) for currency transactions in excess of $10,000 are required, entities are not actively filing.

The Central Bank of Kenya (CBK) has closed down several foreign exchange bureaus for failing to comply with new, more stringent AML standards. The CBK circulates UN lists it receives and the current CBK Guidelines require financial institutions to check the list against their databases and submit status reports quarterly to the CBK. Although the FRC receives STRs from some alternative remittance system (ARS) entities, the GOK cannot consistently track transactions by ARS entities. The lack of regulation/supervision of this sector, coupled with a lack of reporting from the obliged entities, contribute to the vulnerability posed by this sector. Tracking, reporting, and investigating suspicious transactions related to the ARS are more difficult for the Kenyan authorities than for those using the formal financial sector.

Kenyan law enforcement authorities lack the institutional capacity, investigative skill, and resources to conduct complex financial investigations, and a number of bureaucratic impediments present challenges. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. The confidentiality of this process is difficult to maintain, and because of leaks, account holders are tipped off about the investigations and then move their accounts or contest the warrants. The Office of the Public Prosecutor is organizing a special unit to address financial crimes and is collaborating with the Ethics and Anti-Corruption Commission to investigate illicit financial flows. Kenya's criminal justice system is being completely overhauled, including the establishment of a new Supreme Court. The GOK, especially the police, must allocate appropriate resources and enhance its institutional capacity and investigative skill to conduct complex investigations independently. It also must address the bureaucratic impediments that are preventing it from addressing these crimes.

In September 2012, Kenya passed the Prevention of Terrorism Act (PTA), which criminalizes material support provided to commit a terrorist act; however, the implementing regulations have not yet been issued. While the PTA criminalizes the financing of terrorist acts, it does not criminalize the financing of terrorist organizations or the financing of an individual terrorist in the absence of a link to a terrorist act.

POCAMLA provides for legal mechanisms to freeze or seize criminal accounts; however, the law has not yet been used to do this. Kenya does have a mechanism to seize accounts used for terrorist financing, but the PTA does not explicitly provide for freezing terrorist assets. This provision may be added to the Act's regulations, yet to be published. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act. The Mutual Legal Assistance Act of 2011 provides for greater law enforcement cooperation in obtaining and sharing evidence or information with foreign states or international entities, without the need for an MLAT.

## Korea, Democratic Republic of

The Democratic People's Republic of Korea (DPRK or North Korea) has a history of involvement in currency counterfeiting, drug trafficking, and the laundering of related proceeds, as well as the use of deceptive financial practices in the international financial system. The DPRK regime continues to present a range of challenges for the international community, such

as the pursuit of nuclear weapons, weapons trafficking and proliferation, and human rights abuses. As a result, the DPRK is one of the most sanctioned countries in the world.

Access to current information on the financial and other dealings of the DPRK is hampered by the extremely closed nature of its society. The economic practice of *juche*, a constitutionally enshrined ideology in North Korea characterized by the goals of independence and self-reliance, has contributed to minimizing transparency and international trade relations and discouraging foreign investment.

In October 2012, the Financial Action Task Force (FATF) again stated its concerns about the DPRK's failure to address the significant deficiencies in its anti-money laundering/combating the financing of terrorism (AML/CFT) regime and reiterated the serious threat this poses to the integrity of the international financial system. The FATF reaffirmed its February 2011 call upon its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF called upon its members to apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK, and to take into account ML/FT risks when considering requests by DPRK financial institutions to open branches and subsidiaries in their jurisdictions. The FATF also urged the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Not available
***Are legal persons covered:*** ***criminally:*** Not available ***civilly:*** Not available

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Not available

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other:*** NO
***With other governments/jurisdictions:*** NO

The Democratic People's Republic of Korea is not a member of a FATF-style regional body.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

There is little available information on the DPRK's financial system. The DPRK has never undertaken a review of its AML/CFT regime based on the international standards, and calls for the DPRK government to be involved in the mutual evaluation process have been unsuccessful. Therefore, a serious deficiency lies in the lack of detailed information on the DPRK's AML/CFT regime as well as mechanisms to verify the extent to which the DPRK's AML/CFT regime meets international standards.

In 2006, the DPRK adopted the Law on the Prevention of Money Laundering which states that the DPRK has a "consistent policy to prohibit money laundering". However, it is impossible to determine what standing this law has in the DPRK. The law is significantly deficient in most respects, and there is no evidence of an AML/CFT infrastructure in the DPRK capable of implementing the law. Lacking any type of sufficient AML/CFT regulatory authority, the DPRK cannot effectively supervise its financial institutions and enforce AML/CFT practices. Moreover, although the law mentions effective monitoring and supervisory mechanisms, including powers to sanction financial institutions and other businesses and professions that do not comply with AML/CFT requirements, there is neither explanation for how this is achieved nor evidence of any framework established to implement sanctions.

The DPRK is party to a number of international conventions, including the 1988 UN Drug Convention. There is no evidence, however, that the DPRK has taken sufficient steps to properly implement provisions contained in the conventions. The DPRK has signed, but not ratified, the UN Convention for the Suppression of the Financing of Terrorism, and there is no evidence of efforts to ratify the agreement or implement the UN resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly UNSCR 1373.

## Korea, Republic of

The Republic of Korea (South Korea) has an advanced economy that is dominated by large industrial companies. It is not an offshore banking center. While organized crime does not have a large profile, there are reports that Korean criminals tried to connect with counterparts in the Japanese yakuza, Chinese triads, and Nigerian gangs. In 2012 there was a case where Nigerian criminals had laundered illicit proceeds through Korean banks. Most money laundering in South Korea is associated with domestic criminals and official corruption.

South Korean officials have uncovered numerous underground banking systems being used by South Korean nationals, North Korean defectors, and foreign national workers from China and

Southeast Asian and Middle Eastern countries. During a typical South Korean underground banking transaction, funds are deposited in the Republic of Korea and the same amount is picked up in the United States or elsewhere without any reporting or physical transfer of the money. Reports indicate North Korean defectors living in South Korea are sending more than $10 million per year to family members in North Korea through illegal banking systems between South Korea and China.

Gambling is legal but highly regulated and limited to non-citizens. The country has six free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax privileges, they are subject to the same general laws on financial transactions as companies operating elsewhere. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 290,000 in 2012
***Number of CTRs received and time frame:*** 10.3 million in 2012
***STR covered entities:*** Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

The Republic of Korea is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.apgml.org/documents/docs/17/Korea%20MER%202009.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Korea Financial Intelligence Unit (KoFIU) is the primary agency responsible for implementing actions to stop money laundering and to combat the financing of terrorism. Presently, the KoFIU is concentrating on corporate and political fraud, but has started to look at organized crimes including narcotics-related money laundering.

On September 16, 2012, the KoFIU strengthened the Enforcement Decree of the Prohibition of Financing for Offenses of Public Intimidation Act, which is Korea's counter-terrorist financing legislation, to cover real property and some liquid assets that were not previously encompassed. The term "financing for offenses of public intimidation" is used instead of "terrorist financing," because there is no legal definition of terrorism in South Korea.

The Government of the Republic of Korea should expand its active participation in international anti-money laundering/counter-terrorist financing efforts by becoming a party to the UN Convention against Transnational Organized Crime.

## Kosovo

Kosovo is not considered a regional financial or offshore center. The country has porous borders which facilitate an active black market for smuggled consumer goods, especially fuels, cigarettes and pirated products, largely along the Kosovo - Serbian border. According to the Customs Service, significant amounts of cigarettes and fuel are smuggled into the country. Kosovo is a transit point for illicit drugs, not a destination point. Proceeds of drug trafficking do not fund the black market of smuggled and pirated items.

Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband, and other types of financial crimes. Official corruption is believed to be a significant problem. Most of the proceeds from smuggling activity are believed to be laundered directly into the economy in areas such as construction and real estate, retail and commercial stores, banks, financial services, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system. There is a large informal economy in Kosovo.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** YES
***KYC covered entities:*** Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; high value goods dealers; non-governmental organizations (NGOs); and microfinance institutions

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 164: January 1 - November 15, 2012
***Number of CTRs received and time frame:*** 1,588: January 1 - November 15, 2012
***STR covered entities:*** Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; NGOs; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high value goods dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 3: January 1 - November 30, 2012
***Convictions:*** 1: January 1 - November 30, 2012

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Kosovo (GOK) adopted a National Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) Strategy and Action Plan in September 2012. Kosovo law restricts all money laundering investigations in Kosovo to a relatively small unit in the prosecutor's office which focuses mostly on organized crime and corruption. As a result, none of the other prosecutors (or the investigators assigned to assist them from narcotics, fraud, human trafficking, customs, tax or gaming units) have any authority to follow the money trail, identify assets or charge money laundering violations. The GOK should make changes to legislation and instill a more results-oriented culture of accountability to make enforcement more effective; however, the European Commission is opposed to changing the legislation before establishing a date for starting a Stabilization and Association Agreement. Draft amendments to the legislation to correct numerous deficiencies should be adopted as soon as possible.

The definition of politically exposed person (PEP) in Kosovo law is not clear or comprehensive, largely covering only members of political parties. This law should be expanded to include other classes of domestic PEPs and foreign PEPs.

The European Union Rule of Law Mission in Kosovo turned over management of the financial intelligence unit (FIU) to the GOK in June, 2012. The FIU operates with full-time liaisons assigned from all major law enforcement agencies and regularly refers intelligence products to the enforcement community. In addition, Central Bank staff supervises all "financial institutions," as defined by Kosovar law. Each of these institutions faces legislative and operational challenges to comply with international AML/CFT standards.

Kosovo's lack of UN membership, stemming from political disagreements with Serbia, is a limiting factor to the country's participation in regional and international organizations, and makes Kosovo unable to become a party to any UN treaty or convention.

## Kuwait

Financial crimes, such as money laundering, remain concerns in Kuwait. Financial support to terrorist groups, both by charities and by individuals, also continues to be a major concern.

As of December 2012, the Central Bank of Kuwait reported total banking sector assets of $173 billion. Currently 21 banks operate in Kuwait: five commercial banks, five Islamic banks, ten branches of foreign banks, and the Central Bank of Kuwait. There was little change in Kuwait's anti-money laundering/counter-terrorist financing (AML/CFT) policy framework in 2012.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Commercial and Islamic banks; insurance agents, brokers and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; lawyers and auditing firms

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; lawyers and auditing firms

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

New legislation was drafted to replace Kuwait's current anti-money laundering (AML) law, Law No. 35, enacted in 2002. Kuwait has had difficulty implementing Law No. 35, due in part to structural inconsistencies within the law itself. Implementation of the draft legislation is expected to initiate resolutions to the challenges Kuwait has struggled with.

As of yearend 2012, Kuwait does not have specific legislation to target terrorist financing. Law No. 35 does not specifically cite terrorist financing as a crime; terrorist financing criminal cases are treated as crimes against the state. Proposed legislation is under review and enactment is expected soon.

The lack of clear roles and responsibilities for the financial intelligence unit (FIU), Central Bank of Kuwait (CBK), and the Office of Public Prosecution (OPP) has hindered the overall effectiveness of Kuwait's AML/CFT regime. Kuwait's FIU does not meet the minimum criteria for membership in the Egmont Group of FIUs. The FIU operates under the authority of the CBK and is not an independent, autonomous authority. Law No. 35 requires banks to file suspicious transaction reports (STRs) with the OPP, which, in accordance with a memorandum of understanding with the CBK, will in turn refer the STRs to the FIU for analysis. The FIU conducts analysis and reports any findings to the OPP for the initiation of a criminal case. The FIU is further limited by its inability to share information about STRs with relevant authorities without prior approval from the OPP. This restriction also applies to international sharing of information with its counterparts. The FIU should be made the national authority for the receipt, analysis and dissemination of STRs and other reports, and given true operational independence.

Covered entities do not demonstrate a common understanding of what comprises a suspicious transaction; and the GOK's financial crimes enforcement and investigative capacity are weak, as demonstrated by the lack of prosecutions and convictions. Kuwait State Security is responsible for investigating money laundering crimes. Kuwaiti customs, police and prosecutors should be made aware of money laundering methodologies and should initiate inquiries and investigations without waiting for the filing and dissemination of a STR.

Although Law No. 35 requires travelers to disclose to customs authorities upon entry if they are carrying any national or foreign currency, gold bullion, or other precious materials, the law does not require a universal written declaration when carrying cash or precious metals upon exiting Kuwait. Despite the criminalization of currency smuggling into Kuwait, cash reporting requirements are not uniformly enforced at ports of entry other than at Kuwait International Airport and the Al-Abdali point of entry. The last case of currency smuggling on record was reportedly in 2008 and was not prosecuted. The GOK should take steps to implement and enforce a uniform cash declaration policy for both inbound and outbound travelers at all its points of entry.

The GOK monitors and regulates funds transfers by authorized charities abroad, using a coupon tracking system as well as electronic bank transfers to create a formal paper trail for all donations. The GOK reports that, despite increased regulations, the amount of donations continues to rise in Kuwait.

In October 2012, the GOK began working with an international donor on a year-long technical assistance program to address deficiencies in its AML/CFT regime. It is important for the GOK to enact its proposed legislation to reform its AML law and criminalize terrorist financing, and to ratify and implement fully the UN International Convention for the Suppression of the Financing of Terrorism.

## Kyrgyz Republic

The Kyrgyz Republic has a small banking center and is not a regional financial center. In 2012, remittances from Kyrgyzstani workers abroad totaled nearly 30 percent of the gross domestic product (GDP), posing a money laundering vulnerability. A large shadow economy, corruption, and the presence of organized crime and narco-trafficking also make the country vulnerable to financial crime. Narco-trafficking is the main source of criminal income as the Kyrgyz Republic is a transit route from Afghanistan. In addition, the smuggling of consumer goods, tax and tariff evasion, and official corruption continue as major sources of illegal proceeds. Money laundering also allegedly occurs through trade-based fraud, bulk cash couriers, and money/value transfer systems. The lack of political will, resource constraints, inefficient financial systems, and, especially, corruption all serve to stifle efforts to effectively combat money laundering.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, attorneys, regulators, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers, and customs officers

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, attorneys, regulators, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers, and customs officers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although the Government of the Kyrgyz Republic (GOK) adopted an anti-money laundering (AML) statute in 2006, significant gaps still exist in enforcement and implementation. The AML statute established the Financial Intelligence Service (FIS), yet the procedures for investigation and enforcement are still underdeveloped, and there are no significant results for financial investigations and criminal prosecutions. The Kyrgyz Republic's underdeveloped financial system and corruption hamper efforts to combat effectively money laundering and terrorist financing. Local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. The FIS is not recognized by other government entities as a legitimate investigative agency, resulting in a lack of cooperation and information sharing across agency lines. The Kyrgyz banking sector is at risk for money laundering as oversight of the banking sector is relatively weak, and Kyrgyz law enforcement agencies lack the expertise and resources to monitor and investigate financial irregularities.

As of January 1, 2012, the government banned casinos, removing one opportunity for money launderers to hide and disperse assets under the cover of a legitimate business operation. Auto dealers and real estate developers are not included in the list of entities required to report large dollar transactions. The threshold for mandatory reporting is $25,000, a figure far too high for the average income of Kyrgyz citizens, precluding effective enforcement. Two additional serious deficiencies include the lack of a tipping off law to prohibit the disclosure of the reporting of suspicious activity to an individual who is the subject of such a report, or to a third party; and the lack of a safe harbor defense for banks and/or other covered entities and their employees who provide otherwise confidential data to authorities in pursuit of authorized investigations.

There have been no criminal convictions for money laundering since the law was instituted. Current laws do not address the issue of asset forfeiture. Kyrgyz law enforcement is not adequately empowered to identify and find property subject to confiscation, or property suspected of being the proceeds of a crime.

The GOK should continue to strengthen legislation as it relates to money laundering and financial crimes that support terrorist organizations. The GOK also should criminalize terrorist financing and institute a system to freeze suspected terrorist assets without delay. In addition, the GOK must increase and enhance training in money laundering and terrorist financing investigative techniques.

## Laos

The Lao Peoples Democratic Republic is not a regional or offshore financial center. However, its position at the crossroads of mainland Southeast Asia's drug trade, high rate of economic growth, and weak legal and regulatory frameworks make it vulnerable to money laundering activities. Annual illicit drug proceeds in Laos were estimated at over $750 million in July, 2011.

In 2012, the combination of foreign investment, growing government revenues, and development assistance from donors has led to unprecedented levels of public and private funds in the country. With corruption endemic, there are concerns a large amount of these funds are being stolen and later laundered. Bulk cash smuggling to Thailand, China, and Vietnam is occurring.

The financial sector in Laos is expanding rapidly and remains under-regulated, presenting an attractive target for money launderers. Domestic credit in Laos has grown by over 30 percent in each of the last five years and a securities exchange opened in 2010.

The gaming industry, primarily driven by Chinese tourists visiting casinos in Special Economic Zones near the border, continues to present money laundering opportunities outside of the formal financial sector.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** None

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 23: January 1 – November 30, 2012

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Commercial banks, microfinance entities, insurance companies, casinos, finance companies, loan institutions, and cash transfer companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Laos 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/Lao%20PDR%20ME1.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Laos (GOL) does not enforce existing anti-money laundering (AML) laws and decrees. The GOL has no law or regulation requiring customer due diligence or KYC programs. Decree 55, which nominally requires these procedures, provides no sanctions for noncompliance and is not considered an enforceable means under the international standards. Furthermore, articles in Decree 55 defining "reporting entities" conflict and do not appear to cover Lao legal persons. The Decree, therefore, could be interpreted to only apply to Lao individuals and foreign entities. Some banks comply voluntarily.

Other than banks, most entities designated by the AML Decree as required to report suspected money laundering remain unsupervised. Although Lao law directs the gaming industry to report suspicious transactions, the GOL has received no such reports. The Anti-Money Laundering

Intelligence Unit (AMLIU) in the Bank of Laos (BOL) and banks have the means to detect and refer money laundering cases, but GOL leadership appears uninterested in actively pursuing investigations. Coordination among the BOL, Ministry of Finance, law enforcement, and the banking industry should be improved. The GOL should enforce the reporting requirements for vulnerable sectors such as casinos.

Financial institutions, law enforcement, the AMLIU, and justice system personnel appear to have no high-level political mandate to combat money laundering effectively. There has never been a money laundering investigation or prosecution in Laos. Corruption permeates commerce and government. Laos is ranked 160 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index. The government should urgently work to address these problems.

Terrorist financing is not criminalized. It is unknown if terrorist financing occurs in Laos; in any case, the GOL lacks the legal means to address it. There is no protection against liability for individuals reporting money laundering or terror financing activity, nor is tipping off suspects criminalized. The GOL should develop and implement safe harbor protection rules and criminalize tipping off.

The GOL lacks a clear legal and procedural framework for the seizure of assets. The Lao criminal code and drug laws refer to the right of the state to seize assets of convicted drug traffickers, but the legal and procedural processes are not specific. The GOL should implement an asset forfeiture regime that includes a system for accounting for forfeited assets and for ensuring they are disposed of in accordance with the law.

## Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by 19.7 percent and comprising 49.5 percent of total bank deposits (as of November 2012). The scope of the "shadow" (untaxed) economy (estimated at around 30 percent of the overall economy), geographic location, and public corruption make it challenging to combat money laundering.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud, perpetrated by Russian and Latvian groups; as well as other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing. Public corruption remains a problem in Latvia.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the financial system.

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. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and sworn auditors; sworn notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; European Union-owned entities; and any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately $20,000)

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 16,379: January 1 - October 31, 2012
***Number of CTRs received and time frame:*** 12,925: January 1 - October 31, 2012
***STR covered entities:*** Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and sworn auditors; sworn notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately $20,000); and public institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 35: January 1 - October 31, 2012

***Convictions:*** 10: January 1 - October 31, 2012

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

Latvia is a member of the Council of Europe 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/Countries/Latvia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, Latvia adopted amendments to the regulations on enhanced customer due diligence (CDD) to include a requirement for payment service providers and e-money institutions to apply enhanced CDD measures. The Latvian Financial and Capital Market Commission (FCMC) has prepared amendments to the law to eliminate exemptions from CDD. Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures but domestic PEPs are not. The Latvian government should adopt the proposed legislation to change this.

In 2011, the State Revenue Service uncovered the largest fraud case in the history of the Riga Free Port; the criminal investigation into tax evasion and smuggling is ongoing. In September 2012, the Corruption Prevention and Combating Bureau asked the Prosecutor General to initiate criminal prosecutions against four former officials and 13 other individuals from the state-owned electrical company Latvenergo. The charges allege the misuse of official positions for the purposes of acquiring property, bribery, and the laundering of criminally acquired assets from 2006 to 2010. In October 2012, the Prosecutor's Office reversed the decision of the state police not to investigate whether Latvian banks helped launder at least $63 million from Russia in connection with the alleged Hermitage Capital tax fraud case. The chief prosecutor responsible for organized crime told journalists that having studied the evidence from Latvian banks, he has determined the state police's decision not to start a criminal investigation was contrary to law and unjustified. He has returned the evidence to the police for re-investigation.

Latvian law enforcement officials and regulators are making progress. FCMC reports that Latvian banks continue to substantially invest in their IT systems to develop further programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for anti-money laundering purposes.

## Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorist financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank

at approximately $7.6 billion annually in the last three years. Reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities. In 2011, Lebanese Canadian Bank (LCB) was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

Laundered proceeds come primarily from foreign criminal activity and organized crime, and Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon (GOL) does not recognize this designation. Domestically, there is a black market for cigarettes; cars; counterfeit consumer goods; and pirated software, CDs and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities including the trafficking of conflict diamonds, diamond trade fraud (circumventing the Kimberly process) and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 136: January 1 - October 31, 2012
***Number of CTRs received and time frame:*** 20: January 1 - October 31, 2012
***STR covered entities:*** Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 6: January 1 - October 31, 2012
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES
***With other governments/jurisdictions:*** 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 mutual evaluation can be found here:
http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Three laws intended to strengthen Lebanon's anti-money laundering/counter-terrorist financing (AML/CFT) regime were passed by the Council of Ministers on March 14, 2012, and, as of early December 2012, are awaiting Parliament's approval. These include: amendments to the existing money laundering Law 318/2001 which would, among other provisions, add new offenses to the existing law, impose financial penalties on obliged entities for reporting violations, and require lawyers and accountants to report suspicious transactions; new legislation imposing requirements for declaring the cross-border transportation of cash; and new legislation on the exchange of tax information, which would authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

On April 5, 2012, the Banque du Liban issued Basic Circular No. 126 governing the relationship between banks and financial institutions and their correspondents abroad. This Circular requires banks and financial institutions operating in Lebanon to abide by the same laws, procedures, sanctions, and restrictions adopted by international legal organizations or by the sovereign authorities in their correspondent banks' home countries.

## Lesotho

The Kingdom of Lesotho has a small, concentrated financial sector offering limited financial services. The financial sector is closely linked to that of South Africa, with more than 85 percent of imports from and exports to the South African market. Most money laundering is related to corruption and fraud. The Government of Lesotho (GOL) is steadily increasing its control over, and ability to monitor the flow of money in Lesotho.

While there is not a significant black market for smuggled goods in the country, undeclared and under-declared items pass between Lesotho and South Africa daily. The vast majority of smuggling is low level and committed by individuals. Smugglers commonly bring undeclared consumer goods or occasionally larger items like automobiles from South Africa into Lesotho. Smaller items are smuggled to avoid paperwork and hassle, while larger items are smuggled to avoid paying import taxes at the borders. There is some evidence of more illicit activity as small arms are smuggled across Lesotho's porous border, often in exchange for Lesotho-grown marijuana. The funding source is unclear, as is the destination of the proceeds. There is no offshore center in Lesotho.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Lesotho is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/me.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Limited resources, capacity, and expertise, as well as lack of awareness and training pose serious challenges to the adequate implementation of the anti-money laundering/counter-terrorist financing legislation. However, Lesotho is making progress. The Directorate on Economic Offenses has formed an anti-money laundering unit; and the financial intelligence unit (FIU) became fully operational in September 2012. Section 16 of the Money Laundering and Proceeds of Crime Act (MLPCA) enabling the FIU to receive suspicious transaction reports is now in force. The FIU is sensitizing banks and other professions about their obligations under the MLPCA. The MLPCA also is being amended to correct noted weaknesses. Border enforcement continues to be an area of concern.

## Liberia

Liberia is not a significant regional financial center, and financial controls are weak. The Liberian economy is essentially cash-based, with both Liberian and U.S. dollars being legal tender, facilitating the laundering of U.S. currency. Currently, nine commercial banks operate in Liberia, eight of which are foreign-owned. There are no confirmed cases of money laundering or terrorist financing in the Liberian banking sector. There is little information on whether money laundering is linked to the sale of narcotics, but few hard drugs are interdicted in Liberia. Due to the lack of capacity of local law enforcement, the extent of drug trafficking is unknown. The relative openness of Liberia's economy coupled with its desire for foreign investment makes the country vulnerable to some degree of illegal business activities. Liberia has a significant market for smuggled goods, which are easily imported through its porous borders.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Central Bank of Liberia, banks, thrift and loan associations; broker/dealers in securities and commodities; bureau de change and check cashers; issuers of credit

cards, money orders and other similar instruments; insurance, loan or financing agencies and underwriters; and funds remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 0 in 2012
***Number of CTRs received and time frame:*** 0 in 2012
***STR covered entities:*** Central Bank of Liberia, banks, thrift and loan associations; broker/dealers in securities and commodities; bureau de change and check cashers; issuers of credit cards, money orders and other similar instruments; insurance, loan or financing agencies and underwriters; and funds remitters

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Liberia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.giaba.org/reports/mutual-evaluation/Liberia.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Liberia has not yet established a financial intelligence unit (FIU). The Central Bank of Liberia (CBL) receives suspicious transaction reports from banks which it analyzes for internal purposes only. Intelligence related to money laundering and other financial crimes is handled by various government security organizations in an uncoordinated fashion. Longstanding draft anti-money laundering/counter-terrorist financing (AML/CFT) legislation, which remains under review by an inter-ministerial committee comprising the CBL, the Ministry of Finance, and the Ministry of National Security, calls for establishing a FIU in the CBL.

In 2012, the CBL continued its transition to risk-based supervision of the financial sector. Approximately half of the banks provide money transfer services. There also are over 700 licensed and non-licensed foreign currency exchange (forex) bureaus. In Liberia, a forex bureau may be established by any natural or legal person once the CBL issues it a license. In addition to the licensed forex bureaus, there are a number of unregulated moneychangers throughout the country whose activities have raised concerns among forex bureau operators and the general public. The Government of Liberia (GOL) has not implemented the regulation addressing *bureau de change* for AML/CFT purposes. Forex is sold to anyone without identification or verification of the person's identity or business profile. The Association of Foreign Exchange Bureaus has appealed to the CBL to strictly enforce the CBL Regulations for Licensing and Supervision of Foreign Exchange Bureaus.

In October 2012, the Liberia National Lotteries Corporation assumed responsibility for regulating the small gaming sector.

To date, there have been no arrests, prosecutions, or convictions for money laundering. Generally, implementation of laws is hampered by political interference, corruption, lack of capacity within the judiciary and police, and a lack of adequate resources. Under Liberia's draft AML law, "serious crimes" covers only three of the predicate offenses for money laundering listed in the international standards. The GOL has not criminalized the financing of terrorism as required by UN Security Council Resolution 1373. The Liberian government has not frozen the assets of any of the Liberians on the UN asset-freeze list.

The GOL should criminalize terrorism financing to comport with international standards, and criminalize the other predicate offenses for money laundering. The GOL should muster the political will to seriously examine and combat money laundering within Liberia.

## Libya

2011 witnessed the collapse of the former Libyan government headed by Muammar Qaddafi. On August 8, 2012 the interim Transitional National Council left office, delegating authority to the newly-elected General National Congress to select and approve a prime minister and cabinet. The new Prime Minister and his cabinet took office on November 14. As the new Government of Libya (GOL) works to assert its elected authority, armed militias, former revolutionaries, tribes, and clans within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion. The United Nations Security Council and the U.S. maintain sanctions against the former Libyan regime. The Department of State has lifted the national sanctions against Libya. Only a few sanctions are left and they are focused on certain individuals and entities (i.e., Qaddafi's family members and the Central Bank).

Despite high-level awareness of the need for diversification, for the foreseeable future the GOL will continue to be dependent on the oil and gas sectors of the economy to generate revenue. The markets remain primarily cash-based, and informal value transfer networks are present. Hawaladars are often used to facilitate trade and small project finance. Libya's geographic position, porous borders and limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for large numbers of migrants from sub-Saharan Africa and Egypt, whose movement across borders is facilitated primarily by bribery of border officials. Libya is a destination and transit point for smuggled goods, particularly black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Contraband smuggling includes narcotics, particularly hashish/cannabis and heroin. Libya has been going through a slow opening of its financial sector and modernization of its banking system. Priorities for the newly seated government remain to be seen.

Corruption remains a serious problem. Libya is ranked 160 out of 176 countries in Transparency International's 2012 International Corruption Perception Index.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** Not available ***civilly:*** Not available

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** Not available ***Domestic:*** Not available
***KYC covered entities:*** Banks and financial institutions licensed by the Libyan Central Bank

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks and financial institutions licensed by the Libyan Central Bank

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. It has not yet had a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Since the fall of the former regime in 2011, there is little information or reliable data on the scope of Libya's anti-money laundering/counter-terrorist financing countermeasures, including investigations, asset forfeiture, prosecutions, and convictions. In general, capacity and resources to conduct anti-money laundering awareness training and for countermeasure implementation are lacking. There is no available information about whether the former regime criminalized terrorist financing.

It is illegal to transfer funds outside of Libya without the approval of the Central Bank of Libya (CBL). Cash courier operations are in violation of Libyan law. It is estimated up to ten percent of foreign transfers are made through illegal means (i.e., not through the CBL). Prior to the revolution, between 1.5 and 2 million foreigners were thought to live and work in Libya. That number dropped dramatically during the revolution. Although many returned in late 2011, only

an estimated half million foreign workers currently reside in Libya. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

Given the poor quality and limited reach of Libya's banking system, Libya's formerly socialist practices, and commercial rivalries within the governmental structure that discourage disclosure of income and business transactions, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. Trade is often used to provide counter-valuation or a means of balancing the books between hawaladars.

## 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 contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 107 asset management companies, 40 insurance companies, 71 insurance intermediaries, 33 pension schemes, 6 pension funds, 392 trust companies, 21 fund management companies with approximately 469 investment funds, and 637 other financial intermediaries. The three largest banks control 85 percent of the market.

In recent years Liechtenstein has made continued progress in its efforts against money laundering as banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein (GOL) has renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 295 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 1 in 2011
***Convictions:*** 0 in 2011

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

Liechtenstein is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Because there are no laws for declaration of currency and monetary instruments, Liechtenstein's authorities cannot effectively monitor cross-border movement of currency or conduct bulk cash investigations.

The 2011 reporting year saw a decrease of suspicious activity reports (SAR) by 12 percent compared to 2010. Fifty percent of the SARs were based on fraud concerns, 6 percent on money laundering (a decline from last year), and 44 percent on other enumerated offense categories. In 2011, 66 percent of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor. The present SAR reporting requirements do not clearly indicate whether attempted transactions related to funds connected to terrorist financing or terrorism are covered.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-resident and trust or asset management accounts, are considered routine in Liechtenstein, subject only to normal customer due diligence procedures. The GOL also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

## Lithuania

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia 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 under-reporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion by Lithuanians. There are no reports of public corruption contributing to money laundering or terrorist financing.

Lithuania has Free Economic Zones (FEZ) in the cities of Klaipeda and Kaunas. As of year end 2012, there are 17 businesses operating in the Klaipeda FEZ, and 16 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 European Union accession agreement permits the indefinite operation of existing free trade zones, but precludes the establishment of new ones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high value goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 214 in 2012
***Number of CTRs received and time frame:*** 641,432 in 2012
***STR covered entities:*** Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high value goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 16 in 2012
***Convictions:*** 3 in 2012

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

Lithuania 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/countries/lithuania_EN.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Law of Article 17214 of the Code of Administrative Infringements sets higher penalties for money laundering and violations of terrorist financing prevention measures, and differentiates penalties depending on the type of violation. Administrative proceedings can be brought against both individuals and management of companies and institutions, making more effective use of money laundering and terrorist financing prevention measures.

On November 16, 2011, the Lithuanian government nationalized Lithuanian commercial bank Snoras; and on December 7, 2011, a court opened bankruptcy proceedings against the bank. The General Prosecutor's office is conducting a pre-trial investigation into alleged large-scale embezzlement, money-laundering, abuse, fraudulent bookkeeping, document forgery and other criminal offenses committed at Snoras. Prosecutors also have issued a European arrest warrant for the two owners of the bank, who currently live in London and are fighting their extradition. A London court is expected to decide in 2013 whether or not to hand the two men over to Lithuania.

On December 14, 2012, the Second District Court of Vilnius City approved a General Prosecutor request for a two-month arrest of a candidate to parliament - one of the former heads of the National Credit Union (NCU). The General Prosecutor's Office and the Financial Crime Investigation Service (FCIS) are conducting a pre-trial investigation into potentially illegal high-value loans issued by NCU and three other credit unions. The four credit unions are accused of overvaluing loan collateral and subsequently issuing loans based on the inflated amounts. The General Prosecutor and the FCIS also are investigating potential embezzlement, use of illegally acquired assets, and document forgery at these institutions.

## Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination of listed crimes and a penalty threshold

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and any other natural or legal persons trading in goods to the extent that payments are made in cash in an amount of €15,000 (approximately $20,250) or more

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and any other natural or legal persons trading in goods to the extent that payments are made in cash in an amount of €15,000 (approximately $20,250) or more

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Luxembourg is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70591_43383847_1_1,00.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During 2011, competent authorities were busy implementing the comprehensive package of legislative and administrative actions that were put in place in 2010, notably the Law of October 27, 2010. This law introduces important changes to AML/CFT provisions and prescribes changes to 20 existing pieces of legislation. Most visibly, the financial intelligence unit (FIU) expanded its capabilities through the hiring of additional analysts and continued preparations for an enlargement of the FIU premises. Nevertheless, state prosecution officials have called publicly for further resources, notably more analysts. In response to these requests, the Ministry of Justice has pledged to continue supporting the state prosecution, and the FIU in particular, with the level of resources needed to fulfill its responsibilities. In terms of quantitative data, the number of transaction reports, money laundering criminal prosecutions, and convictions has risen in comparison to 2010 following the systematic implementation of the new legislation.

## Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore finance businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With annual gaming revenues of $38 billion in 2012, Macau is the world's largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from nearby mainland China. Increasingly popular among gamblers seeking inscrutability and alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts in China, where gambling is illegal. This inherent conflict of interest together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau Government officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are gaming-related crimes, property offenses, and fraud.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,591: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** All persons, irrespective of entity or amount of transaction involved

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0: January 1 - June 30, 2012
***Convictions:*** 1: January 1 - June 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Macao%20ME2%20-%20FINAL.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Macau continues making considerable efforts to develop an anti-money laundering/counter-terrorist financing (AML/CFT) framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and for close collaboration with other FIUs.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately $62,640) under

the supplementary guidelines of the Gaming Inspection and Coordination Bureau (DICJ). Macau should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence over non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for the ratification of any convention to be extended to Macau. The 1988 Drug Convention was extended to Macau in 1999, the UN Convention against Transnational Organized Crime was extended to Macau in 2003, and both the UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism were extended to Macau in 2006.

## Macedonia

Macedonia is not a regional financial center. Most financial transactions are done through banks; however, cash transactions and settlements of considerable amounts sometimes take place outside the banking system. Money laundering in Macedonia is most often linked to financial crimes such as tax evasion, smuggling, financial and privatization fraud, insurance fraud, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity may be connected to narcotics trafficking. Organized criminal groups are involved in weapons and human trafficking, and proceeds from these activities are invested in businesses and real estate.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Banks do not allow the opening of anonymous bank accounts and bearer shares are not permitted. There is no evidence that alternative remittance systems exist in Macedonia. There are a few free trade zones (FTZ) in Macedonia, which all function as industrial zones within which some industrial production receives the benefits of a FTZ. The production facilities enjoying these benefits are owned by foreign investors. The Government of Macedonia (GOM) is trying to attract more foreign investment by leasing out several large FTZs throughout the country.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; real estate agents, consultants, and investment advisors; non-governmental organizations (NGOs); car dealerships; cadaster; company service providers; and, casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 192: January 1 – October 31, 2012

***Number of CTRs received and time frame:*** 73,900: January 1 – October 31, 2012

***STR covered entities:*** Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; real estate agents, consultants, and investment advisors; NGOs; car dealerships; cadaster; company service providers; and, casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3: January 1 – October 31, 2012

***Convictions:*** 3: January 1 – October 31, 2012

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Macedonia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOM adopted the national strategy for combating money laundering and financing of terrorism for 2012-2014 and established the Council on Combating Money Laundering and Financing of Terrorism. The strategy sets out the activities of all relevant institutions in order to meet objectives covering legislation, capacity-building, international and inter-institutional cooperation and awareness raising. The Council is chaired by the Director of the Financial Intelligence Office (FIO), Macedonia's financial intelligence unit, and made up of representatives of 14 reporting institutions and of investigative and prosecuting bodies. It coordinates and monitors activities specified in the strategy and reports to the government. The Council provides a platform for strengthening inter-institutional cooperation.

Macedonia's anti-money laundering/counter-terrorist financing (AML/CFT) law was amended in April, 2012. While the new amendments strengthen the AML/CFT regime, deficiencies remain. In 2010, Macedonia passed legislation pertaining to judicial reforms, including amendments to the Constitution and the Criminal Procedure Code to allow the use of specialized investigative methods in investigating money laundering cases. The effective date of the new Criminal Procedure Code has been pushed back for the third time to December 2013.

The banking system is well regulated and supervised. Non-bank financial institutions are yet to be regulated with a separate law. Institutions supervised by the Public Revenue Office are poorly monitored, and inspections rarely occur as the Public Revenue Office is focused mainly on investigating tax evasion. The GOM should improve its supervision of the non-bank financial sector and provide necessary resources and training to ensure full implementation of laws. Dealers of arts, antiques, and other high-value consumer goods; entities dealing with jewelry and precious metals; travel agencies; stock exchanges; the credit registry and credit bureaus; gaming centers; and non-life insurance companies are excluded from the list of obliged reporting entities. The GOM should ensure these entities become reporting entities.

The responsibilities of the FIO overlap in many areas with the Public Revenue Office, the Customs Administration, the Financial Police, and the regular police (Ministry of Interior). In the last year, the FIO's activities shrank noticeably, and it has been overshadowed by the actions of the Ministry of Interior and Financial Police. There is effective coordination among the concerned agencies, particularly when working jointly on investigations led by a public prosecutor. This has resulted in several coordinated large-scale investigations of cases involving money laundering, tax evasion, fraud, corruption, and misuse of official position.

To date, there have been no convictions for terrorist financing. Human resources and knowledge in the area of terrorism financing are largely lacking. The government should work to conduct the necessary training for all reporting agencies. According to the AML/CFT law, financial institutions can temporarily freeze assets of suspected money launderers and terrorist financiers prior to receiving a court order. Frozen assets are confiscated only by a court's final verdict. Macedonia has an agency for management of seized and forfeited assets, but the agency has limited capacity and is minimally active.

The judicial system is highly politicized and inefficient. Rule of law is poorly respected, and selective enforcement of justice is common. The government should enact reforms in the judiciary to enable increased independence of the judiciary and more effective efforts against organized crime, corruption, terrorism, trafficking in human beings, money laundering, and narcotics smuggling.

## Madagascar

Madagascar is neither a regional financial center nor a major source country for drug trafficking. However, Madagascar's inadequately monitored 3,000 miles of coastline facilitates smuggling and money laundering. Criminal proceeds laundered in Madagascar derive mostly from domestic criminal activity, but are often linked to international trade. The major sources of money laundering proceeds in 2012 are tax evasion and customs fraud. Illegal mining activities

and mineral resources smuggling, illegal logging, public corruption, and foreign currency smuggling are also areas of concern. Since the 2009 coup in Madagascar, declining enforcement of the rule of law also has led to trafficking of a wide variety of goods and persons. Smuggling of gemstones and protected flora and fauna generate funds that are laundered through the financial system and through informal channels not tracked by the de facto government. There is a significant black market for smuggled consumer goods. Trade-based money laundering occurs in Madagascar, involving both customs fraud and contraband. Media sources report that members of the High Transitional Authority (HAT) have profited from, facilitated, and directed criminal activity and money laundering.

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization to operate from the Financial and Banking Supervision Committee, which is affiliated with the Central Bank.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Financial institutions

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 61: January 1 – November 21, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, financial institutions, financial intermediaries and advisors, money changers, casinos and gaming establishments, real estate dealers, postal services, insurance companies, mutual fund companies, and stockbrokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 23 in 2012
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Malagasy Financial Intelligence Services (SAMIFIN), an independent institution, is Madagascar's financial intelligence unit. SAMIFIN's mandate is to analyze reports of money laundering and other financial crimes, and to report on suspicious money laundering activities. When SAMIFIN has evidence of suspected money laundering, it is required to report the information to other authorities responsible for prosecution and trial.

While the police sometimes investigate crimes related to money laundering and other financial crimes, they lack training and expertise. Moreover, the judicial system does not have the sophistication, resources, and political will to prosecute most money laundering offenses. In 2012, a special court was established by the HAT to judge all cases related to corruption and economic offenses, such as money laundering. Underground finance and informal value transfer systems should be acknowledged and investigated. The Government of Madagascar (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.

A bill to update the current law on money laundering and criminalize terrorist financing has been drafted and will be presented to the Cabinet and then to the High Transitional Council and the Transitional Congress, the two legislative bodies in the transitional government. The GOM should pass the stalled updated legislation on money laundering and criminalize terrorist financing. The GOM should pursue membership in a FSRB.

## Malawi

Malawi is not a regional financial center. The main source of illegal profits in Malawi derives from public corruption. Another significant source of illicit funds is the production and trade of cannabis sativa (Indian hemp) which is extensively cultivated in remote areas of the country. Anecdotal evidence indicates Malawi is a transshipment point for other forms of narcotics. Human trafficking, vehicle hijacking, and fraud are also areas of concern.

Smuggling and the laundering of funds are exacerbated by porous borders with Mozambique, Zambia, and Tanzania. There are indications of trade-based money laundering, mostly through over/under invoicing. There are also cases of goods smuggled across the border; it is believed contraband smuggling generates proceeds that could be laundered through the financial system. Some of the trade-based money laundering is reportedly linked to Pakistan and India. Informal value transfer systems such as hawala are a concern. Malawi has a cash-based economy and there are usually few paper trails to follow in financial investigations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, microfinance institutions, leasing and finance companies, lawyers, legal practitioners, notaries, casinos and other gaming entities, real estate agents, trust and company service providers, foreign exchange bureaus, accountants, auditors, dealers in precious metals and stones, safe custody services, buyers and sellers of gold bullion, stock brokers, and the stock exchange

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 42: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** 81,008: January 1 – November 30, 2012
***STR covered entities:*** Banks, foreign exchange bureaus, microfinance institutions, money transmitting firms, discount houses, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, capital markets

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Malawi is a member of the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/me.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Malawi (GOM) has adopted anti-money laundering/counter-terrorist financing (AML/CFT) legislation; however, the development of institutional capacity and enforcement mechanisms is still lacking. Malawi updated its regulations to implement the Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act in September 2011. The regulations provide further clarification and guidance on complying with the Act.

Not all institutions subject to the KYC and STR requirements are actually conducting KYC due diligence or filing reports. Although more types of entities are conducting customer due

diligence, only banks and foreign exchange bureaus forward reports to the Malawi financial intelligence unit (FIU). Furthermore, insurance companies are not covered at all. The FIU is housed within the Reserve Bank of Malawi. A permanent FIU director has not been named.

There have been no successful prosecutions or convictions for money laundering in Malawi. The recent arrest by anti-corruption authorities of a Malawi diplomat accused of involvement in the theft of MK 400 million (approximately $1,057,000) from the Account General Office may be a positive sign. Progress is hampered by a lack of capacity and investigative and prosecutorial expertise. Authorities believe a deficient national identification system also makes it difficult for financial institutions to apply a standard form of identification. The GOM should work toward full implementation of its AML/CFT legislation.

## Malaysia

Malaysia is a growing regional financial center with a well developed anti-money laundering/counter-terrorist financing (AML/CFT) framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorist financing. Malaysia is primarily used as a transit country to transfer drugs originating from the southeastern Asian Golden Triangle and Europe. Drug trafficking is an important source of illegal proceeds in Malaysia. Iranian and Nigerian drug trafficking organizations are the main sources of illegal proceeds.

Malaysian authorities also highlight illegal proceeds from corruption as a significant money laundering risk. Other common predicate offenses generating significant proceeds in Malaysia include fraud, criminal breach of trust, illegal gambling, credit card fraud, counterfeiting, robbery, forgery, human trafficking, extortion and smuggling. Smuggling of goods subject to high tariffs is a major source of illicit funds. Customs' efforts to investigate invoice manipulation identified trade-based money laundering risks.

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed mainly to promote manufacturing industries producing goods mainly for export and are dominated by large international manufacturers attracted to the zones because they offer preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit suspicious transaction reports (STRs).

A number of terrorist organizations have been active on Malaysian territory, and authorities have taken action against Jemaah Islamiah and other terrorist networks. Terrorist financing in Malaysia is predominantly carried out using cash and relies on trusted, clandestine networks.

Casinos are licensed and regulated by the Ministry of Finance. Casinos' compliance with the AML/CFT guidelines is assessed on a periodic basis by the Financial Intelligence and Enforcement Department of the Central Bank.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 27,857 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 36 in 2012
***Convictions:*** 12 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Malaysia 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/Malaysian%20MER%20-%20FINAL%20August%202007.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Reporting institutions are subject to strict customer due diligence rules, and the Government of Malaysia (GOM) has adopted banker negligence laws that extend criminal liability to bank directors if their institution launders money or finances terrorism.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia, should continue its efforts to encourage the use of formal remittances. In this regard, the Money Services Business Act (MSBA) was enacted on December 1, 2011 to further strengthen the safeguards against abuse of the money services business industry, comprising remittance, money changing and wholesale currencies businesses. Compliance with the MSBA is monitored closely by Bank Negara Malaysia. Additionally, law enforcement and customs authorities should examine trade-based money laundering and invoice manipulation and their relationship to underground finance and informal remittance systems. Malaysia should move aggressively to identify, investigate and prosecute drug trafficking kingpins.

## Maldives

Maldives is a nation of many islands in the Indian Ocean and is close to international sea lanes. Authorities have expressed concern that the islands are being used as a transit point for money laundering and illegal immigration to Europe. The country has a small financial market but is susceptible to money laundering and terrorist financing due to limited oversight capacity.

No official figures are available, but anecdotal evidence suggests illegal drug trafficking and corruption produce significant amounts of illegal funds. Drug trafficking is noted as one of the most frequent asset-generating crimes. Other offenses include human trafficking, piracy, and offenses committed by gangs. Even though the number of corruption cases is low, only a small percentage is prosecuted and reports indicate the sums involved can be significant. There are indications funds raised in the country have been used to finance terrorist activities abroad.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, securities dealers and investment advisors, Maldives Securities Depository

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 2 in 2012
***Number of CTRs received and time frame:*** 240,986 in 2012
***STR covered entities:*** Banks, securities dealers and investment advisors, Maldives Securities Depository

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The current anti-money laundering/counter-terrorist financing (AML/CFT) framework is very recent and in need of considerable improvements, both in terms of substance and implementation. Money laundering is criminalized only with respect to proceeds of offenses listed in the Drugs Act. Although all categories of offenses set out in the international standards have been criminalized, only drug-related offenses are considered predicate offenses for money laundering, constituting a major shortcoming of the current AML/CFT regime. In addition, terrorism financing is covered to a limited extent under the "aiding and abetting" clause of the GOM's terrorism legislation; however it is not criminalized as an autonomous offense.

Efforts to provide adequate supervision of the financial sector are still in the initial stages. The Maldives Financial Transactions Reporting Regulation, implemented by the Central Bank in 2011, requires financial institutions to submit a weekly report of financial transactions of MVR 200,000 (approximately $13,000) or more, or its equivalent in a foreign currency. The Government of the Maldives (GOM) should take steps to ensure better compliance and understanding of AML/CFT requirements and should expand its KYC and reporting requirements to include insurance agents/brokers, finance companies, money remitters and exchanges, credit card companies, lawyers, accountants, and auditors active in the country. The government also should extend its safe harbor provisions to non-bank entities.

Shortcomings in the overall criminal legislative framework, in particular with respect to criminal procedure, and the lack of resources of competent authorities make it challenging for the GOM to fight effectively against money laundering and terrorist financing. The asset forfeiture provisions in the law are very limited. The GOM should ensure all appropriate assets or their equivalent value can be identified and forfeited in line with international recommendations. Maldives Police Services, the Prosecutor General's Office and the judiciary should work on capacity building and training to enforce the existing AML/CFT system.

The GOM is working toward accession to the United Nations Convention against Transnational Organized Crime.

## Mali

Mali is not a regional financial center, and has no free trade zones or offshore sectors. Illegal proceeds derive from rampant trafficking of drugs, small arms, people, and everyday commodities across the Algerian, Nigerien and Mauritanian borders in the sparsely-populated north of the country. Authorities believe terrorist cells from al-Qaida in the Islamic Maghreb, known to operate in the north, are involved in smuggling as well as kidnapping for ransom to generate funds. The majority of Mali's economy is cash-based, making it difficult to track illegal or criminal financial transactions. Malian authorities believe proceeds being returned to South America from cocaine trafficking in Europe may be passed through Malian banks but lack the resources to make such a determination.

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU members share a common currency, the West African CFA, and have developed common anti-money laundering/combating the financing of terrorism frameworks, including legal and financial intelligence unit (FIU) structures.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, the public treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 34 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Issuers of credit, guaranties, and lease purchase; banks; the public treasury; microfinance entities, the post office, and currency exchanges; insurance companies and brokers; securities and asset brokers and managers, and the regional stock exchange; mutual funds; attorneys, notaries, and auditors; real estate and travel agents; non-governmental organizations; casinos and gaming establishments; and dealers of high-value goods and precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Mali is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Mali.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although Mali's anti-money laundering law covers a number of financial sectors, very few comply with their legal reporting obligations. While businesses are technically required to report cash transactions over approximately $10,000, most do not. With the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements. While Mali criminalizes tipping off and protects STR filers from criminal and civil liability, both of these provisions are too narrow and do not meet the international standards.

Mali's financial intelligence unit, the National Financial Information Processing Unit (CENTIF), continues to enjoy closer relations with foreign FIUs. CENTIF enjoys a transparent and mutually beneficial relationship with liaison officers from the customs service, police, and gendarme forces. Significant challenges to CENTIF's efficiency remain lack of training, especially for investigators who handle counter-terrorist financing, as well as a lack of funds to provide adequate publicity and comprehensive awareness training for bank and public sector employees outside of Bamako.

Article 30 of Law 10-062 calls for the competent authority to order, by administrative decision, the freezing, without delay or prior notification to persons or concerned entities, of funds and

other financial resources of terrorists or of those who are financing terrorism and terrorist organizations. To date, Mali has not designated a competent authority, so currently there is no mechanism to freeze assets administratively. However, the justice authorities may freeze without delay funds of terrorists or others concerned in terrorist activities through a judicial decision.

Border enforcement is a severe problem in Mali, particularly in combating widespread smuggling and the infiltration of insurgent forces. Mali also lacks capacity in investigation of money laundering and terrorist financing. Mali lacks the capacity to trace informal networks and money/value transfer systems, including hawala. There also is doubt as to whether the state prosecutor's office understands complex financial crimes sufficiently to be able to pursue money laundering or terrorist financing crimes effectively and to a successful prosecution. CENTIF has referred multiple investigations to justice authorities for prosecution, yet there are no known convictions.

## Malta

Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. The country's offshore banking sector is relatively large (eight times GDP), and it is the second largest ship registrar in Europe. According to the Malta Police Force the major sources of illegal proceeds are trafficking of cocaine, heroin and cannabis resin, as well as economic crimes, namely fraud and misappropriation. The proceeds generated are not large and are primarily based on domestic offenses. According to Maltese authorities, between 2003 and 2011, 13 percent of all the suspected cases of money laundering or terrorist financing were related to drug trafficking; fraud accounted for another 13 percent. No organized criminal groups have been detected committing money laundering on behalf of others in Malta. Moreover, no terrorist financing activity has been detected. Contraband smuggling does not appear to be a significant source of illicit proceeds. No specific studies have been conducted in Malta on trade-based money laundering or terrorist financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All crimes approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real estate agencies, auditors, accountants,

notaries, tax advisors, trust and asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals, and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 125: January 1 - November 27, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real estate agencies, auditors, accountants, notaries, tax advisors, trust and asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals, and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 5 in 2012

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES
***With other governments/jurisdictions:*** 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Malta_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While Malta has a comprehensive legal structure to combat money laundering, there are gaps concerning the material element for terrorism financing that could leave room for interpretation in respect of financing of "legitimate" activities, which could lead to furthering the financing of terrorism directly and/or indirectly. The Government of Malta (GOM) should work to strengthen its laws to fix these vulnerabilities.

In 2011, the Financial Intelligence Analysis Unit (FIAU) assisted the U.S. on a case where assets were confiscated, and as a result, an ad hoc asset sharing agreement was entered into. Part of the assets confiscated, amounting to $50,000, were given to Malta to be used specifically by the FIAU.

Representatives of the financial sector emphasize the risks involved with foreign deposits and investment possibly being linked to tax evasion or the diversion of funds by politically exposed persons from Eastern Europe and North Africa. There has been no assessment of the risk of illicit activity or terrorist financing within the non-profit organization (NPO) sector. Additionally, although a new supervisory entity has been established, the NPO registration process is not clear nor has there been awareness training for the sector to acquaint NPOs with the risks of terrorist financing. The GOM should maintain its vigilance over these potential vulnerabilities.

## Marshall Islands

The Republic of the Marshall Islands (RMI) consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is economically underdeveloped and has limited resources for private sector development. The RMI signed a Compact of Free Association with the United States in 1986, and relies on the United States for the majority of its economic support.

The RMI offshore corporate sector is vulnerable to money laundering. The Trust Company of the Marshall Islands, Inc.; the Registrar for Non-resident Domestic Entities; and the Office of the Maritime Administrator (collectively the Registry) administer a comprehensive registration program of corporations and ships. The RMI shipping fleet is the third largest flagged fleet in the world, although few of the vessels frequent the Marshall Islands. The port of Majuro is visited mainly by tuna fishing boats, with a few cargo ships per month delivering food and fuel to the nation.

Non-resident domestic corporations (NRDCs), the equivalent of international business companies, can be formed online subject to approval by the Registrar. Marketers of offshore services via the internet promote the Marshall Islands as a favored jurisdiction for establishing NRDCs and handle the incorporation process for applicants. A number of Marshall Islands NRDCs have gone public on exchanges in the U.S. and Europe. NRDCs are allowed to offer bearer shares. Corporate officers, directors, and shareholders may be of any nationality and live anywhere. NRDCs are not required to disclose the names of officers, directors, shareholders or beneficial owners listed with the Registrar, and corporate entities may act as directors, officers, and shareholders. The Registrar does not release the number of NRDCs or other offshore corporate operations. The corporate registry program does not allow the registering of offshore banks or insurance firms, online gaming institutions, or other companies which are financial in nature. All known parties to any corporate or maritime transaction are vetted by the Registry through a commercial database, which combines the UN, U.S., EU and other national and international specially designated national lists. NRDCs must maintain a registered agent in the Marshall Islands, and corporations can transfer domicile into and out of the RMI with relative ease. In addition to NRDCs, the RMI offers resident partnerships, unincorporated associations, and limited liability companies through the Attorney General's office.

There are two banks in the country, the Bank of the Marshall Islands and a branch office of the Bank of Guam. There are no brokerage houses or other types of financial firms in the country. Land is almost never sold due to customary land tenure practices. There are no realtors, nor are there casinos or other entities typically used to launder money.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit institutions, and finance companies; insurance companies, brokers and intermediaries; brokers/dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges, and money transmission services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 23 in 2012
***Number of CTRs received and time frame:*** 2,818 in 2012
***STR covered entities:*** Banks, credit institutions, and finance companies; insurance companies, brokers and intermediaries; broker/dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges, and money transmission services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

The Marshall Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/RMI%20ME%202.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Marshall Islands has laws that can be used to prosecute both individuals and corporations for money laundering crimes. To date, the RMI government has filed two money laundering cases, both dismissed by the RMI High Court. There is a need for greater institutional capacity to successfully prosecute money laundering cases. The RMI should tighten enforcement of tipping off provisions, ensure designated non-financial businesses and professions are fully reporting, and ensure beneficial ownership is properly established.

Under RMI law, both the Banking Act and the Counter-Terrorism Act provide for the freezing, seizing, and/or detaining of terrorist assets. This authority, vested primarily in the Attorney General, allows for the immediate detention of funds where the Attorney General has reasonable grounds to believe the funds are intended to be used in the commission of a serious offense, including the financing of terrorism.

The Marshall Islands has signed tax treaties with 14 other jurisdictions. The RMI should ensure its offshore sector is adequately supervised and that information on company ownership and management is available to law enforcement and supervisory authorities.

## Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government and the private sector. Only an estimated four percent of Mauritanian adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. In recent years, Mauritania has become a transshipment point for cocaine from South America intended for the European market. General smuggling, trafficking in vehicles stolen mostly in Europe, parallel financial networks, and the provision of logistical support for organized international drug traffickers are all serious problems. Because of increasing terrorist and illicit trafficking activities along the long and porous borders with Algeria and Mali, the Government of Mauritania (GOM) has continued an aggressive campaign against corruption and the terrorist network of al-Qaida in the Islamic Maghreb.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, money changers and remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, money exchanges and remittance offices

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

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

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: www.menafatf.org

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation of that framework, especially given Mauritania's cash-based and informal economy. All natural and legal persons are covered under Mauritanian anti-money laundering/counter-terrorist financing (AML/CFT) laws and are subject to both criminal and civil penalties, depending upon the crime committed. In 2012, the Office of the Inspector General of the State and the Financial Information Analysis Commission (CANIF), Mauritania's financial intelligence unit, were empowered to lead efforts to identify, prevent and reduce corrupt practices and financial crimes, including financial crimes linked to narcotics and terrorist financing networks.

The CANIF has direct responsibility for overseeing AML/CFT activities. CANIF falls under the jurisdiction of the Central Bank of Mauritania and is unique in Mauritania in its comprehensive "whole of government" approach. CANIF includes representatives of the Mauritanian Ministries of Finance and Justice, as well as the customs authority, national police, and Gendarmerie working together to counter financial crimes. In 2011, CANIF released its first annual report on financial crime in Mauritania.

Current regulations only require banks and formal money exchange and remittance offices to report suspicious transactions. Monitoring informal financial markets remains a challenge in Mauritania. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system for illegal purposes. In 2011, two orders were signed among the Central Bank; the Ministry of Commerce, Industry, Handicraft and Tourism; and the Ministry of Interior and the Decentralization. Order N 640 promulgates a Counter-Terrorism Financing and Anti-Money Laundering ruling for non-financial companies and professions, and Order N 641 does the same for non-governmental organizations. The GOM should take steps to expand reporting and KYC requirements to additional financial and non-financial entities.

## Mauritius

Mauritius has developed a reputation as a well-regulated and credible international financial center. According to the Mauritius' Independent Commission Against Corruption (ICAC),

laundered funds are primarily the proceeds from drug trafficking – mainly heroin and the prescription drug, subutex (a brand name for buprenorphine, an opiate used to treat heroin dependence, which is illegal in Mauritius). Other important predicate crimes for money laundering include aggravated larceny, conspiracy, forgery, swindling, and corruption. Criminal proceeds laundered in Mauritius are not controlled by drug trafficking organizations or organized criminal groups. According to ICAC, money laundering occurs in the banking system, the offshore financial center, and the non-bank financial system. Criminal proceeds are derived from both domestic and foreign criminal activities. There is no known black market for smuggled goods in Mauritius.

The Mauritius Global Business (offshore) Sector is a major foreign investment route into the Asian sub-continent. As of November 2012, there are close to 26,000 global business companies (GBCs) in Mauritius, including 928 licensed global funds. The offshore sector also includes management companies licensed by the Financial Service Commission to provide professional services to GBCs. Shell companies and bearer shares are not allowed in Mauritius nor are nominee or anonymous directors or trustees.

The Mauritius Freeport, a free-trade zone (FTZ), was established to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. As of early December 2012, there are 263 operators in the Freeport, with a turnover estimated at $733 million for 2012.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 211 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 24 in 2012
***Convictions:*** 13 in 2012

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

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=173

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Legislation to correct deficiencies and amend the Government of Mauritius' (GOM) anti-money laundering/counter-terrorist financing (AML/CFT) regime has been pending since 2006. Limited capacity and training of the judiciary and the ICAC also compromise Mauritius' ability to successfully combat various forms of money laundering. Stronger support of judges to carry cases through successful prosecution is needed. Although international law enforcement coordination is possible via the 2003 Mutual Assistance in Criminal and Related Matters Act, sharing of information is a lengthy and uncertain process. Timely access to financial documents domestically is also a problem. While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so is subject to compliance with judicial proceedings.

The Asset Recovery Act took effect on February 1, 2012. The new law is intended to enable the forfeiture of proceeds of crimes to compensate victims, whether the State or an individual. It contains provisions for both conviction-based and non-conviction-based forfeiture. The Assets Recovery Office under the Director of Public Prosecutions is designated to exercise enforcement powers included in the law. Additionally, the law provides for the Recovered Assets Fund, where forfeited assets would be placed. On October 30, 2012, the Asset Recovery Act was amended to give the Director of Public Prosecutions the power to confiscate or recover assets accumulated illegally during the ten years preceding commencement of the Act.

GOM authorities should examine underground value transfer systems including regional hawala networks.

## Mexico

Mexico is a major drug-producing and drug-transit country. Proceeds from the illicit drug trade leaving the United States are the principal sources of funds laundered through the Mexican financial system. Other significant sources of laundered illegal proceeds include corruption, kidnapping, extortion, piracy, alien smuggling, and trafficking in firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's

proximity to other Central American countries and the high volume of legal commerce to conceal transfers coming into Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds, though the use of trade-based money laundering is an increasing trend. Although the combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem, the implementation of U.S. dollar deposit restrictions reduced the amount of bulk cash repatriation back to the U.S. via the formal financial sector by approximately 70 percent, or $10 billion. According to U.S. authorities, drug trafficking organizations send between $19 and $29 billion annually to Mexico from the United States, though the Government of Mexico disputes this figure. Mexico has seized over $500 million in bulk currency shipments since 2002.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 44,591: January 1 - October 31, 2012
***Number of CTRs received and time frame:*** 5 million: January 1 - October 31, 2012
***STR covered entities:*** 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, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 155: November 2011 - November 2012
***Convictions:*** 160: November 2011 - November 2012

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

Mexico is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.fatf-gafi.org/countries/j-m/mexico/documents/mutualevaluationofmexico.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On October 11, 2012, Mexico's Senate approved the modifications to the anti-money laundering law introduced by the executive in August 2010, and approved by the lower house in April 2012. The President signed the bill into law on October 16, 2012. The legislation obliges designated non-financial businesses and professions to identify their clients and report suspicious operations or transactions above designated thresholds to the Secretariat of Finance. The thresholds vary by sector. The legislation establishes a Specialized Financial Analysis Unit in the Office of the Attorney General; restricts cash operations in Mexican pesos, foreign currencies and precious metals for a variety of "vulnerable" activities; and imposes criminal sanctions and administrative fines on violators of the new legislation. The government must publish the implementing regulations 30 days after the law enters into force (on/about July 17, 2013) and the affected entities and persons must begin reporting under the new regime no later than 60 days from that date.

Under the above regulations, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations, armored car transport companies, armoring services, construction companies, art dealers and appraisers, and non-bank institutions providing credit card, pre-paid card, or traveler check services will also be subject to KYC and STR requirements.

## Micronesia, Federated States of

The Federated States of Micronesia (FSM) is not a hub for finance of any kind. The FSM is small, remote, and poor. There are no free trade zones. Because of its low level of sophistication it is historically at low risk for money laundering, terrorist financing, and smuggled products. Money laundering primarily originates from public corruption, including bribery and misuse of public funds. Corruption extends to directing public contracts and employment to unqualified companies or persons; there are no reliably accurate estimates of the amount of proceeds derived from corruption.

Both the legislative and executive branches of the government have declined to allocate funds for the FSM to join any information sharing organization, which has stymied prosecution of cases with international links. Should legislation continue to be approved authorizing the building of a casino in Pohnpei or the Chinese casino project in Yap, money laundering concerns would rise.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, cash dealers, insurers, bingo parlors, trustees, and money transaction services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** All banks and financial institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

The Federated States of Micronesia is not a member of any Financial Action Task Force-style regional body.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Financial Intelligence Unit (FIU) of the National Police receives suspicious transaction reports (STRs) through the Department of Justice (DOJ). The FIU consists of a single police officer. It has no operational or budgetary independence and relies entirely on the DOJ for funding and the National Police for staff. The officer has both criminal investigative and regulatory responsibilities. Inadequate police training and lack of resources significantly diminish the investigative abilities of both police and FIU staff. There have been no arrests, prosecutions or convictions for money laundering since the FSM criminalized the offense in 2001.

The FSM has yet to make terrorist financing, or the commission of terrorist acts, specific crimes. The FSM should make the criminalization of terrorist acts and terrorist financing a priority, and establish an effective implementation mechanism.

Money laundering statutes provide for the seizure of "tainted" property, as well as any benefits derived from the commission of a money laundering offense. However, no property has ever been seized or confiscated under the money laundering statute. There is no civil forfeiture. The FSM should support the investigation of money laundering cases and the seizure and confiscation of assets where appropriate.

Local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Although legally obligated, only one of the two banks in FSM currently reports STRs.

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

## Moldova

Moldova is not considered a regional financial center. The economy is largely cash based and remains highly vulnerable to money laundering activities. The Government of Moldova (GOM) monitors money flows throughout the country, but does not exercise control over its breakaway region of Transnistria. Transnistrian authorities do not adhere to GOM financial controls and maintain a banking system independent of and not licensed by the National Bank of Moldova. Transnistria is also highly susceptible to money laundering schemes and is not in compliance with any accepted anti-money laundering (AML) norms. The situation is exacerbated by a high level of corruption and the influence of organized crime.

Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, and corruption. Money laundering occurs in the banking system and in exchange houses, along with offshore financial centers in Transnistria. Fifteen banks constitute the Moldovan financial system. Neither offshore banks nor shell companies are permitted to operate in Moldova. Internet gaming sites do exist, although no statistics are available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos. Enforcement of the regulations is sporadic.

Moldova has six free trade zones (FTZs), some of which are infrequently used. Reportedly, goods from abroad are sometimes imported into the FTZ and then resold and exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the Center for Combating Economic Crime and Corruption.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, deposit companies, and currency exchange offices; investment funds, service providers, and management companies; fiduciary companies and service providers; securities dealers/brokers and stock exchange companies; insurance and reinsurance companies; company formation agents and ownership registries; Internet casinos and gaming and lottery organizers and institutions; real estate agents; dealers of precious metals or gems; auditors, accountants, and financial consultants; lawyers, notaries, and organizations which provide asset transfer services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, deposit companies, and currency exchange offices; investment funds, service providers, and management companies; fiduciary companies and service providers; securities dealers/brokers, and stock exchange companies; insurance and reinsurance companies; company formation agents and ownership registries; Internet casinos and gaming and lottery organizers and institutions; real estate agents; dealers of precious metals or gems; auditors, accountants, and financial consultants; lawyers, notaries, and organizations that provide asset transfer services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 10 in 2012
***Convictions:*** 12 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Moldova 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Moldova_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Moldova has made some progress in instituting a legal framework for combating money laundering. Changes in 2011 to the AML law have had a positive impact on the FIU's institutional development. In addition, the financial intelligence unit (FIU) increased its

operational capacity by securing electronic access to more governmental databases. There are no statistics on the actual numbers of suspicious transaction reports (STRs) and currency transaction reports (CTRs) filed; a combined total of 720,441 reports were filed in 2012. The FIU has developed a five-year action plan to increase national and international cooperation.

In November 2012 the Ministry of Justice, in the framework of the Justice Sector Reform Strategy, drafted a package of laws aimed at combating corruption. The proposed amendments also will have an impact on combating money laundering. The proposed legislation includes the criminalization of illicit enrichment and extended confiscation. The GOM should work to pass these laws.

The GOM should continue to review and amend the criminal procedure code to institute non-conviction based confiscation and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorist financing. Additionally, the GOM should criminalize tipping off.

## Monaco

The Principality of Monaco is the second-smallest country in Europe but is considered a major banking sector that closely guards the privacy of its clients. It has worked in recent years to comply with international requirements for greater openness and sharing of information. It is linked closely to France and to the economic apparatus of the European Union (EU) through its customs union with France and its use of the euro as its official currency. Monaco is known for its security and political stability.

Monaco's state budget is based primarily on tourism, taxes, duties, and excise taxes which account for 75% of the total income; casino revenues constitute less than 3% of the state budget. Private banking and fund management dominate the financial sector.

Monaco does not have a formal offshore sector, but foreigners sought and were able to open accounts to hide illicit finances. While Monaco does not publish information about its financial sector, credible sources estimate the country's 36 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately $975 billion). In data obtained for 2010, non-residents accounted for 48% of the financial institutions' clientele, representing 60% of the total assets and deposits. Money laundering charges relate mainly to offenses committed abroad. The Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks and credit societies; the post office; money exchanges and remitters; portfolio and fund managers and securities brokers/dealers; insurance firms; financial advisors and intermediaries; casinos; real estate agents; dealers of high value goods, antiques, art, precious stones and metals; lawyers; notaries; trustees and company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 520 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; insurance companies; stockbrokers, corporate service providers, portfolio managers, and trustees; casinos; money remitters; real estate brokers; business, legal or tax advisors; dealers in precious stones, precious materials, antiquities, fine art and other valuable assets; lawyers; notaries; accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 66 in 2011
***Convictions:*** 3 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Monaco 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Monaco_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Monaco (GOM) should enhance the authority of its financial intelligence unit (FIU) to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information obtained does not relate specifically to drug trafficking, organized crime, or terrorist financing. Noted deficiencies include weaknesses in Monaco's ability to freeze terrorist assets without delay, asset sharing, and the threshold for reporting large transactions. The GOM should move quickly to rectify these deficiencies.

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

## Mongolia

Mongolia is not a regional financial center. There are few financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the growth in tourism, investment, and remittances from abroad, but the overall rate of these crimes has not increased. The risk of domestic corruption is likely to be enhanced as Mongolia's rapid economic growth continues, fueled by large scale foreign investment in the mining sector.

Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods, which appears largely tied to tax avoidance rather than drug trafficking. There are no indications that international narcotics traffickers exploit the banking system, and no instances of terrorist financing have been reported.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; lending, factoring, and financial leasing institutions; issuers of guaranties and payment instruments; trusts; savings and credit cooperatives; insurance companies; securities dealers, remittance services, and foreign currency exchanges; pawnshops; and casinos (although casinos are currently prohibited in Mongolia)

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 138: January 1 – July 1, 2012
***Number of CTRs received and time frame:*** 255,708: January 1 – July 1, 2012
***STR covered entities:*** Banks

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Mongolia is a member of the Asia/Pacific Group on Money Laundering (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/Mongolia%20Mutual%20Evaluation%202007%20-%20Final%20.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Mongolia's (GOM) 2009 anti-money laundering/counter-terrorist financing (AML/CFT) law improved AML/CFT efforts but failed to bring Mongolia into compliance with international standards. It is not clear if the GOM has the capacity to fully enforce this law. Deficiencies include inadequate criminalization of money laundering and terrorist financing, lack of a system to seize and confiscate assets, and adequate procedures to identify and freeze terrorist assets, among others. The GOM should seek to pass its proposed financial reform package to address many of these issues.

The GOM does not currently have the capability to detect financial crimes, investigate them fully, and successfully prosecute offenses. Although four cases were opened during the year, the lack of a single successful prosecution to date illustrates the enforcement problem. While highly professional, the FIU appears under-staffed, and coordination with other law enforcement organizations reportedly remains deficient. Similar challenges face both law enforcement and the judicial systems. The government should increase the training for those responsible for enforcing money laundering laws, especially for those investigating and prosecuting money laundering cases.

## Montserrat

Montserrat is a United Kingdom (UK) Caribbean Overseas Territory; it has one of the smallest financial sectors of those territories. Less than 5,000 people are resident on the island. Montserrat's operating budget is largely funded by the British government and administered through the Department for International Development. There are few offenses committed in Montserrat that generate substantial profits from crime. The low number of transactions in the financial sector suggests that criminal funds are not entering the mainstream economy through financial institutions.

Montserrat's international business companies are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company with responsibility for undertaking know your customer (KYC) procedures and monitoring anti-money laundering compliance.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, securities dealers, money transmission services, company management services, and financial leasing companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, securities dealers, money transmission services, company management services, and financial leasing companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Montserrat 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: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=339&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Montserrat's Financial Services Commission is not adequately structured and staffed to effectively carry out its functions. There are insufficient human resources; and the staff for money laundering investigations also performs other policing functions. The lack of resources and personnel may reduce the effectiveness of current regulations. There also should be additional training in anti-money laundering/counter-terrorist financing issues for customs officials.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime have not yet been extended to Montserrat.

## Montenegro

Montenegro is a mountainous country in southeastern Europe. Montenegro continues to struggle to improve its capacity to prevent and address money laundering, along with other aspects of organized crime and corruption. The government needs to demonstrate greater political will to pursue the most sensitive cases. Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro, and the country is also part of transit routes used to smuggle narcotics and other contraband. Within Montenegro, criminal groups smuggle stolen cars, narcotics, cigarettes, and counterfeit products. Evidence exists that the proceeds of narcotics trafficking, tax evasion, internet fraud and other illegal activities are being laundered through construction and real estate transactions. According to the Montenegrin financial intelligence unit (FIU), most of the suspicious transactions involve lease and real estate contracts. The perception of corruption remains widespread. Factors that facilitate and increase Montenegro's vulnerability to money laundering are the high use of cash for purchases and Montenegro's use of the euro without being a euro zone country.

Investigations by Montenegrin government agencies into organized crime operations and suspicious financial transactions show money moving from and through foreign offshore financial institutions. These funds are being used to purchase real estate, luxury consumer goods, and businesses.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, savings banks, savings and loan institutions, and loan brokers; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors and tax advice services; humanitarian, nongovernmental and other non-profit organizations; sellers and purchasers of claims; factors; safekeeping and guaranty firms; property managers; financial leasing companies; sports organizations; catering services; travel and real estate agents; motor vehicle, vessel and aircraft dealers; credit agencies; auctioneers and traders of works of art, high value goods, and precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 91: January 1 to November 10, 2012
***Number of CTRs received and time frame:*** 32,851: January 1 to November 10, 2012
***STR covered entities:*** Banks, savings banks, savings and loan institutions, and loan brokers; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors and tax advice services; humanitarian, nongovernmental and other non-profit organizations; sellers and purchasers of claims; factors; safekeeping and guaranty firms; property managers; financial leasing firms; sports organizations; catering services; travel and real estate agents; motor vehicle, vessel and aircraft dealers; credit agencies; auctioneers and traders of works of art, high value goods, and precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0: January 1 to November 20, 2012
***Convictions:*** 2: January 1 to November 20, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Montenegro 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Montenegro_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Government of Montenegro (GOM) bodies suffer from a lack of financing, administrative capacity, and technology, inhibiting adequate implementation of the existing legislation to combat money laundering (ML). As a result, cases of money laundering often remain undetected in Montenegro. Furthermore, the GOM has not fully harmonized its laws with international standards. March 2012 amendments to the law expand the list of reporting entities, including, for example, sports organizations and catering companies. In June 2012, the list of ML indicators was expanded to include suspicious transactions in the areas of real estate, construction, legal, and notary operations.

Although legal and institutional mechanisms to fight corruption were strengthened, the perception of corruption remains pervasive, due to the lack of convictions, which potentially affects efforts to combat ML. The fact that all high level corruption cases have been uncovered by third parties also remains a matter of concern.

Montenegro has a low number of STRs, mostly reported by banks; however, many cases go unreported. A GOM Special Team Investigator's report concludes banks are not fully complying with reporting requirements and are even providing valued customers with "VIP treatment" by

not reporting their large transactions. Government bodies claim outdated technology systems and insufficient administrative capacities remain their largest problems.

The FIU is not completely independent from the Ministry of Finance, impeding its ability to investigate all claims of ML. The FIU has no enforcement authority. Prosecutors have to rely on the FIU to obtain information through a formal request process. In suspected cases of money laundering/terrorist financing (ML/TF), the FIU has to turn to the Central Bank, which conducts bank inspections. The legal and institutional framework to deal with ML/TF is in place and cooperation between the financial supervisory authorities and law enforcement has been established; however, the cooperation and ML/TF investigative capacities of the financial supervisory authorities need further enhancement. Investigators and auditors complain the Central Bank is not enforcing all regulations applicable to financial institutions.

In 2012, Montenegro signed bilateral agreements on ML/TF financial intelligence data exchange with Canada, Cyprus, and Japan. The framework for international judicial cooperation in ML/TF cases is generally comprehensive. Although the GOM has signed bilateral cooperation agreements with a number of countries, Montenegrin authorities should strengthen their implementation.

There are also concerns with asset seizures. While the law allows for the temporary seizure of criminally obtained money and/or property, the capacity of the Public Property Administration, responsible for the management of seized assets, needs to be strengthened. In 2012, there were two seizure cases amounting to 41.14 million euro (approximately $52.74 million). During the first eleven months of 2012, the FIU temporarily blocked eight transactions in the amount of $4.3 million. Nevertheless, there were no prosecutions.

Montenegrin authorities do not consider Montenegro to be vulnerable to terrorism or a haven for terrorism financing. The FIU examined one possible case of terrorism financing in 2012. In August, the government adopted the report on the 2010 – 2012 implementation of the Strategy for Preventing and Suppressing Terrorism, Money Laundering, and Terrorism Financing for the period 2010 - 2014. The country's capacity to detect actions related to terrorism remains limited.

Law enforcement, judicial, and legal institutions engaged in curbing money laundering need additional resources and further training. There is also a need for increased public awareness of the problem of money laundering and its possible connection to narcotics and corruption.

## Morocco

Morocco is not a regional financial center but is well integrated into the international financial system. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and large level of remittances from Moroccans living abroad. Cash-based transactions in connection with Morocco's substantial trade in cannabis are of particular concern. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe. Approximately three of ten Moroccans use banks, while credible estimates of Morocco's informal financial sector place it at nearly 15 percent of GDP. The predominant use of cash, informal value transfer systems and remittances

from abroad help fuel Morocco's informal financial sector. In 2011, remittances from Moroccans living abroad were approximately seven percent of GDP and drove household consumption in large segments of the population.

Offshore banks are located in the Tangier Free Zone. They are regulated by an interagency commission chaired by the Ministry of Finance. The free trade zone (FTZ) also allows customs exemptions for goods manufactured in the zone for export abroad. Morocco's financial intelligence unit (FIU) reports suspicion of money laundering schemes using the Tanger-Med FTZ.

Criminal activities of particular risk include bulk cash smuggling and unverified reports of trade-based money laundering, including invoice fraud and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Unregulated money exchanges remain a problem in Morocco and were a prime impetus for Morocco's anti-money laundering legislation. Although the legislation targets previously unregulated cash transfers, the country's vast informal sector creates conditions for this practice to continue.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 123: January 1 – September 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Morocco is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/TopicList.asp?cType=train

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Morocco has made progress since the promulgation of the 2007 anti-money laundering law. Morocco has taken action in addressing the majority of the deficiencies included in its action plan but is still working to adequately criminalize terrorist financing.

The Financial Information Processing Unit (UTRF), Morocco's FIU, and Central Bank regulations adopted in 2012 require enhanced due diligence for politically exposed persons.

Operationally, the UTRF's capacities have increased both in terms of human resources and logistics. The unit recruited and trained new officers and launched a new automated system to deal with financial information. In addition, UTRF has signed memoranda of understanding facilitating information exchange with regional FIUs.

Moroccan authorities should continue to develop regulatory oversight and investigative expertise that targets Morocco's large informal value transfer sector, especially money remittance networks. Morocco also should work to address trade-based money laundering.

## Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to customs fraud and narcotics trafficking. Most narcotics are believed to be destined for South African and European markets although consumption is on the rise in Mozambique, mainly of cannabis and mandrax. Local organized criminal groups control narcotics trafficking operations in the country and are thought to involve networks with links to Pakistani and Indian nationals and immigrants. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital. While money laundering in the banking sector is considered to be a serious problem, foreign currency exchange houses, cash couriers, and the hawala remittance system play more significant roles in financial crimes and money laundering. For instance, much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses, and the number of exchange houses operating in Mozambique surpasses the number required for normal business. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail and banking sectors in most parts of the country. There are no indications such activity is tied to terrorist financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Mozambique is a member of the East and South 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/userfiles/Mozambique_Mutual_Evaluation_Detail_Report(5).pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Limited resources and high levels of corruption hamper the Government of Mozambique's (GOM) ability to fight money laundering and terrorism financing and to enforce anti-money laundering regulations. Local institutions, including police, customs and judicial authorities, lack the funding, training, and personnel necessary to investigate money laundering activities and to enforce the law.

Authorities acknowledge that alternative remittance systems are common in Mozambique. Many operate in exchange houses that, on paper, are heavily regulated, but in fact, can easily avoid reporting requirements. Foreign exchange regulations, enacted in 2011, sought to reduce the use of these exchange houses by requiring customers with foreign currency accounts at local banks to change that foreign currency into meticais, the local currency, rather than receiving foreign currency for domestic use; an exception exists for foreign travel.

GOM administrative action for payment of back taxes and fines continues against prominent businessman, Mohamed Bachir Suleman, a subject on the Department of Treasury's Drug Kingpin list. Although the GOM found insufficient evidence of drug trafficking, it is pursuing him for extensive tax, customs and foreign exchange violations.

The GOM should implement an anti-money laundering/counter-terrorist financing regime that adheres to international standards.

## Namibia

Namibia is not a regional financial center, although it has one of the most highly developed financial systems in Africa. Sources of money laundering in Namibia are related to both regional and domestic criminal activities. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles - mostly from South Africa - are regional problems that affect Namibia. Organized crime groups involved in smuggling activities generally use Namibia as a transit point, particularly for goods destined for Angola. Domestically, real estate as well as minerals and gems are suspected of being used as vehicles for money laundering. Namibian authorities believe the proceeds of these activities are laundered through Namibian financial institutions, but on a small scale. The organized fencing of stolen goods, not just vehicles, is also a problem in Namibia. The Namibian government has set up Export Processing Zones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, microfinance entities, pension funds, asset managers and trust companies, casinos and gaming institutions, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops,

realtors, dealers in high-value art and vehicles, auctioneers to include livestock and real estate, lawyers, accountants, and notaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 148 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, microfinance entities, pension funds, asset managers and trust companies, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, dealers in high-value art and vehicles; auctioneers to include livestock and real estate, lawyers, accountants, and notaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Namibia (GON) has taken steps to implement its National Strategy on Anti-Money Laundering and Combating the Financing of Terrorism. In November 2012, the Namibian Parliament repealed the 2007 Financial Intelligence Act and passed a new Financial Intelligence Act which legally establishes a Financial Intelligence Center with a more robust mandate than its predecessor. The same week, Parliament also passed Namibia's first Prevention and Combating of Terrorist Activities Bill.

Namibia revised its anti-money laundering framework to change from a rules-based to a risk-based approach. Enhanced due diligence requirements for all high-risk persons, including politically exposed persons (PEPs), are now specified by law.

The Office of the Prosecutor General successfully obtained forfeiture orders worth N$4.5 million (approximately $503,000) over the last year. The Prosecutor General's office has frozen an additional N$8.7 million (approximately $972,000) pending prosecution.

On October 18, 2012, the GON became a party to the UN Convention for the Suppression of the Financing of Terrorism.

The GON should continue implementing its new legislation and ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial and judicial entities.

The informal banking and trading sectors need additional focus. The GON also should continue efforts to better control its porous borders.

## Nauru

Nauru is a small central Pacific island nation with a population of approximately 10,000. A member of the British Commonwealth, Nauru is an independent republic but uses Australian currency. Nauru has low anti-money laundering/counter-terrorist financing (AML/CFT) risks. Currently, the only financial institution offering financial services is one wire transfer service based in a hardware store. The economy is entirely cash-based and reliant on formal and informal remittance.

Nauru has a relatively small offshore company registry with 59 operating corporations, a number of which are pending removal. In the past ten years no new trust company licenses have been issued, although 15 unit trusts have been formed under the 11 existing licenses. The offshore companies and trusts represent a residual risk, although the very low rate of company and trust formation in the sector may indicate the risks are relatively low.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and money remitters; securities and investment businesses; insurance firms; real estate agents; dealers in art, precious metals and stones; trust or company service providers; real estate agents/brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 0 in 2012
***Number of CTRs received and time frame:*** 0 in 2012
***STR covered entities:*** Banks and money remitters; securities and investment businesses; insurance firms; real estate agents; dealers in art, precious metals and stones; trust or company service providers; real estate agents/brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance systems

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The AML/CFT regime in Nauru is broadly commensurate with the risks and threats facing the country; however, there is a need for additional controls in the offshore sector. The GON should ensure the Nauru Agency Corporation, a state-owned incorporation agent, and Nauru Trustee Corporation, which registers trusts, focus their AML/CFT efforts on providing controls for the offshore sector. Nauru should try to attract a banking institution to ensure a wider range of financial services are available to Nauruans, and that entity should be subject to AML/CFT controls. The Government of Nauru (GON) also should supervise alternative remittance providers.

The GON should amend its AML legislation to include a greater number of predicate offenses and reduce restrictive conditions in relation to tax matters. In 2011, the GON began work on a new Crimes Act which is expected to be completed by 2013. The Crimes Act will cover money laundering and corruption offenses.

Concurrently, the GON's interagency working group on international agreements and obligations has prioritized the ratification of UN Conventions. Recommendations to the cabinet were expected to be submitted in late 2012 concerning the UN Convention against Corruption and the 1988 UN Drug Convention. Nauru also should become a party to the UN Convention against Transnational Organized Crime.

## Nepal

Nepal is not a regional financial center. Government corruption, poorly regulated trade, weak financial sector regulation, and a large informal economy make the country vulnerable to money laundering and terrorist finance. Although Nepal is neither a significant producer of, nor a major transit route for narcotic drugs, hashish, heroin, and domestically produced cannabis and opium are trafficked to and through Nepal every year. Its relatively porous borders with India and China are used to conceal trafficking in drugs and human beings.

The major sources of laundered proceeds stem from tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation. There is an unregulated, informal remittance system of unknown size in Nepal. Officials have identified the use of under- and over-invoicing as a major money laundering challenge. Another problem is the illicit flow of bulk cash and

counterfeit currency. An open border with India and inadequate security screening make it difficult to detect hard currency flowing in and out of the country.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, auditors, trust and company service providers, and precious metals and stone traders

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 547 in 2012
***Number of CTRs received and time frame:*** 3,253,664: January 1 - November 23, 2012
***STR covered entities:*** Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, real estate brokers, auditors, and precious metals and stone traders

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 17 in 2012
***Convictions:*** 10 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Nepal 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/NEPAL%20ME2.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GON has taken a number of steps to bring its legislation into compliance with the international standards. However, lack of resources and capacity, and low awareness of processes and reporting requirements hamper efforts to combat money laundering. While the anti-money laundering law was enacted in 2008, Nepal's financial intelligence unit is still putting

in place the required legislation and directives. The Government of Nepal (GON) lacks expertise and skills in the responsible agencies, particularly in investigation techniques. Nepal also lacks comprehensive anti-terrorism and anti-organized crime laws, complicating enforcement efforts.

Coordination among key government agencies is weak. Financial institutions and individuals are reluctant to provide relevant information. The Nepal Police Criminal Investigation Bureau and the Nepal Police Counterterrorism Directorate both have authority to investigate and arrest counterfeit currency operatives, narcotics traffickers, smugglers, and human traffickers but have done little in the way of pursuing pure financial crimes.

The GON still needs to enact the appropriate implementing regulations to address key AML/CFT deficiencies, including regulatory guidance obligating the seizing, freezing or confiscation of terrorist assets in order to comply with UNSCRs 1267 and 1373 and other provisions.

## Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering. There are a few indications of syndicate-type structures in organized crime or money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although there are few controls on national borders within the Schengen Area of the European Union (EU), Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the country The Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands is responsible for the courts and for combating crime and drugs trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius and Saba are officially considered "public bodies" under Dutch law.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 23,224 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 1,300 in 2010
***Convictions:*** 812 in 2010

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

The Netherlands is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of The Netherlands (GON) is largely in compliance with international standards but some implementation shortcomings exist. To address concerns about the operational independence and effectiveness of the Dutch financial intelligence unit (FIU), the Ministry of Security and Justice has plans to reorganize the National Police to create more flexibility and enhance its effectiveness in responding to money laundering cases. The government should ensure implementation of these actions in 2013.

The Dutch legal system does not include an autonomous offense of terrorism financing; the current legal framework is being changed to provide for it. The Netherlands has proposed legislation for a number of measures. The GON should enact the following proposed amendments, including: a flexible maximum fine based on business profits and gains; criminalization of abuse of public funds and corruption by public servants and the private sector; an increase in punishment to combat the commission of crimes within the context of the Economic Offenses Act; and a faster procedure to determine the right to seize documents in cases where lawyers and civil law notaries, among others, invoke their right not to submit evidence.

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe that a transaction is connected with money laundering or terrorist financing. The FIU investigates UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a STR. There were 167,237 UTRs in 2012.

The GON should enact the draft legislation to strengthen its reporting regime and enact stronger KYC rules. The draft legislation includes specific requirements for customer due diligence (CDD) related to legal arrangements; an exchange of information among supervisory authorities; good faith as a condition for protection from criminal liability; a requirement to immediately obtain information in case of reliance on third parties for CDD; and politically exposed person (PEP)-related requirements that include non-Dutch PEPs resident in the Netherlands. The GON also should consider the draft law to modernize the supervision of lawyers, which has been sent to parliament.

The Netherlands cooperates fully with international investigations. The assignment of dedicated money laundering prosecutors is bringing change to historically low asset seizure rates. To further increase the confiscation of criminal assets, the Dutch Minister of Security and Justice introduced a new law including confiscation as a standard procedure of any money-driven criminal case, aimed at increasing law enforcement agencies' capacity to take such action. The government should move to pass this law.

## New Zealand

New Zealand is not a major regional or offshore financial center, and money laundering cases are infrequent. However, authorities note it is difficult to estimate the extent of money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

Money laundering generally occurs through the financial system, but the purchase of real estate and other high value assets as well as the use of foreign exchange dealers have become increasingly popular methods of laundering money. Narcotics proceeds (mostly from methamphetamine and cannabis sales) and fraud-associated activity, primarily Internet banking fraud, are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. New Zealand is a low threat environment for terrorist finance.

New Zealand has a small number of casinos, which operate gaming machines and a variety of table games.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combined approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance companies and brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4,100 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance companies and brokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

New Zealand is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/28/0,3746,en_32250379_32236963_43998044_1_1_1_1,00.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of New Zealand (GONZ) is actively strengthening its ability to detect and deter money laundering and terrorist financing. New Zealand's Anti-Money Laundering/Counter-Terrorist Financing Act of 2009 sets reporting requirements for financial service providers and casinos and establishes a risk-based approach to tracking potential money laundering and terrorism financing activities. However, while the Act is in force, the Ministry of Justice is still finalizing regulations, and enforcement will not begin until 2013, in part to give covered entities

more time to accommodate the changes. The New Zealand financial intelligence unit has hired additional personnel to manage the workload.

In December 2012, the New Zealand Cabinet approved proposed amendments to the Companies Act which will address the vulnerabilities created by foreign-owned shell companies. As a result of these vulnerabilities, New Zealand was removed from the European Union white list in June 2011, apparently due to revelations over New Zealand shell companies being linked with east European and Russian corruption.

New Zealand 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 a good record of cooperation and information sharing in this area. The GONZ regularly cooperates in international money laundering and terrorist financing initiatives and investigations.

## Nicaragua

The Republic of Nicaragua is not considered a regional financial center. However, the financial system is vulnerable to money laundering as the country continues to be a strategic narcotics transshipment route for South American cocaine and heroin destined for the United States and cash returning to South America. The high level of political corruption is also a significant concern. It is suspected money laundering occurs via traditional mechanisms such as legal businesses. Additionally, some evidence exists of informal "cash and carry" networks for delivering remittances from abroad that may be indicative of money laundering. There are no convictions for money laundering in either sector.

Nicaragua, with access to the Atlantic and Pacific Oceans, large inland lakes, porous border crossings, and a sparsely-populated and underdeveloped Atlantic Coastal region, is an ideal haven for transnational organized criminal groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of these countries' citizens across their respective borders without passing through immigration or customs inspection. Consequently, the agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

The National Free Trade Zone Commission, a government agency, regulates free trade zone (FTZ) activities. As of 2012, a total of 215 companies operated in 34 designated FTZs. The Nicaraguan Customs Agency monitors all FTZ imports and exports.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges and remitters, credit card issuers, casinos, microfinance organizations, and pawn shops

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 133: August 2011 - February 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money remitters and exchanges, casinos, credit card issuers, microfinance organizations, and pawn shops

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 9 in 2012
***Convictions:*** 9 in 2012

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

Nicaragua is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=337&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The 2010 Anti-Organized Crime Law 735 and Executive Decree 70-2010 impose key obligations on all reporting institutions, including microfinance institutions, money remitters and currency exchange houses. Supplemental legislation, Law 769, Law of Promotion and regulation of Microfinance, went into effect in January 2012. Law 769 creates a supervisory agency for the microfinance sector, the National Commission for Microfinance, and applies a broad range of anti-money laundering requirements on microfinance institutions. In June 2012, the National Assembly approved law 793 which creates a Financial Intelligence Unit to replace the Commission for Financial Analysis. The effective implementation of law 793 remains a challenge.

Law 735 regulates the prevention, investigation and prosecution of organized crime, as well as the administration of seized, forfeited and abandoned assets. However, the Government of Nicaragua should improve the enforcement activities of Law 735. Nicaragua has yet to create a unit to administer seized, confiscated, and abandoned assets.

On December 5, 2011, Law 766, "Special Law for the Control and Regulation of Casinos and Slot Parlors," went into effect. This law regulates casinos and slot parlors and establishes categories of gaming. The law complements Law 735; Chapter VIII of the law establishes anti-money laundering/counter-terrorism financing regulations for the industry that include suspicious transaction reporting and customer due diligence requirements. The Board of Directors of the Nicaraguan Tourism Institute is the enforcement authority.

During 2012, two noteworthy money laundering cases related to the narcotics trade were prosecuted. In the first case, a politically-appointed government official and nine other defendants were found guilty of trafficking and money laundering. It was the first case involving an appointed government official. The second case involved 18 Mexican citizens and three Nicaraguans posing as journalists in an elaborate scheme to transit illicit money through Central America.

Nicaragua should improve strategic anti-money laundering/counter-terrorist financing deficiencies, including inadequate customer due diligence measures, recordkeeping requirements, and STR reporting requirements. Statutes enacted to criminalize money laundering and terrorist financing lack sufficient enforcement due to weak mechanisms, budget deficiencies, and a lack of independence in the judicial system. The effectiveness of the criminal justice system is also limited by the lack of financial and human resources.

## Niger

Niger is one of the poorest and least developed countries in the world. Niger is not a regional financial center, and its banking sector is rudimentary. It is a member of the Central Bank of West African States, and shares its central bank and currency, the CFA Franc, with other countries in the region. With porous borders and a large territory, Niger provides an ideal transit point for various criminal organizations and terrorist groups. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal, cash-based financial sector; and informal remittances and transfer systems are widespread.

Money laundering and financial crimes are commonplace in Niger. Illegal proceeds derive from rampant trafficking of drugs, small arms, people, and everyday commodities across the Algerian and Mauritanian borders in the sparsely-populated north of the country. Since 2008, kidnappings for ransom have become a preferred fundraising method for terrorist groups. More recent factors affecting security are the return of pro-Qaddafi mercenaries, the takeover of western neighbor Mali by al Qaida and affiliates, and the terrorist organization Boko Haram based in southern neighbor Nigeria. After a 2010 military coup, Niger installed a democratically-elected regime in April 2011.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; fund carriers; casinos; travel agencies; and non-governmental organizations (NGOs)

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; fund carriers; casinos; travel agencies; and NGOs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Niger is a member of the Inter Governmental Action Group against Money Laundering and Terrorist Financing 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/reports/mutual-evaluation/Niger.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Niger's anti-money laundering/counter-terrorist financing (AML/CFT) laws are not in full compliance with international standards. Also, although addressed in the AML/CFT laws, customer due diligence procedures for designated non-financial businesses and professions have not been implemented.

The National Center for the Treatment of Financial Information (CENTIF) is Niger's financial intelligence unit (FIU). It has accomplished little since its establishment in 2004. With new management, in 2012 CENTIF made progress with 13 declarations of suspicious activities and five reports submitted to the Ministry of Justice for legal action. In April 2012, CENTIF organized an AML/CFT awareness raising workshop for domestic stakeholders. CENTIF works with other FIUs in the region to provide technical assistance and outreach to stakeholders. In addition, Nigerien authorities cooperate with law enforcement efforts, mutual legal assistance, and asset sharing groups within the region.

On January 21, 2010, Niger enacted Law # 2010-05 on Terror Financing. Subject to corrections, the law was adopted in February 2012. The law puts in place a legal framework that addresses suspicious transaction reporting obligations for banking and financial institutions and the cross-border transportation of currency. It also brings charities and nonprofit organizations within the legal framework. The AML/CFT inter-ministerial committee, formally created in 2010, held its inaugural meeting in April 2012.

## Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate law 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 involves the importation of various goods at sub-market prices, followed by their resale within Nigeria, sometimes at a loss. Such goods include, predominantly, luxury cars and items such as textiles, computers, and mobile telephones. Drug traffickers reportedly also use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking; illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft; bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute the major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; reselling goods imported at sub-market prices; and bulk cash smuggling. Nigerian criminal enterprises adeptly subvert

international and domestic law enforcement efforts and evade detection. Nigeria is ranked 139 of 176 on Transparency International's 2012 Corruption Perception Index.

The Financial Action Task Force (FATF) highlighted Nigeria's lack of adequate improvement by including Nigeria in its October 19, 2012 Public Statement. The FATF did not consider sufficient Nigeria's anti-money laundering/counter-terrorist financing (AML/CFT) progress in 2012 relative to its action plan.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,153: January 1, 2012 – November 30, 2012
***Number of CTRs received and time frame:*** 3,386,117: January 1, 2012 – November 30, 2012
***STR covered entities:*** Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 14: October 1, 2011 – September 30, 2012

***Convictions:*** 5: October 1, 2011 – September 30, 2012

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

Nigeria is a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Nigeria.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the Government of Nigeria (GON) enacted the Money Laundering (Prohibition) (Amendment) Act to broaden the predicate offenses to money laundering. The GON continued to work to address strategic deficiencies in its AML/CFT regime. Those deficiencies include the failure to criminalize fraud as a predicate offense to money laundering and the failure to criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act.

Lack of investigative capacity as well as judicial corruption have hindered the progress of, or else thwarted, many prosecutions and investigations. The GON should ensure the autonomy and independence from political pressure of the Economic and Financial Crimes Commission (EFCC) and the Nigerian Financial Intelligence Unit (NFIU). The GON also should strengthen its supervision of designated non-financial businesses and professions. Moreover, the GON should work to counter corruption within law enforcement bodies and make every effort to ensure that all those agencies that pursue money laundering cases – including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, and the National Police Force – have the resources and capacity to function as investigative partners in financial crimes cases. The National Assembly should adopt safe harbor provisions to protect STR reporting entities and their employees. The GON should consider developing a cadre of specially trained judges with dedicated portfolios in order to handle financial crime cases more effectively, and the National Assembly also should adopt a non-conviction based asset forfeiture bill.

## Niue

Niue is not a regional financial center and has no free trade zones. Niue is a self-governing democracy, operating in free association with New Zealand, upon which it relies heavily for assistance with external and economic affairs. Niue has experienced a significant decline in population, largely from the emigration of its population to New Zealand. Niue's domestic economy and infrastructure, reflective of its small population, limits the ability of criminals and terrorists to operate and to generate funds.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Niue%20ME2.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In recent years Niue has tightened its legislation to comply with anti-money laundering/counter-terrorist financing (AML/CFT) international standards. Two draft bills are being pursued to fill legislative gaps in existing legislation: the Mutual Assistance in Criminal Matters (Amendment) Bill and the Terrorism Suppression and Transnational Organized Crime (Amendment) Bill. The government should pass these bills. The government should increase its efforts to enforce the laws with regard to cross border currency declarations.

The Niue financial intelligence unit (FIU) exchanges financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU. The Niue Crown Law office reports it has received a small number of cash transaction reports. However, it is not apparent that any prosecutions or asset seizures have occurred under its AML/CFT legislation, nor has it received any suspicious transaction reports in the last year. While all banks, money remitters, and appropriate designated non-financial businesses and professions (DNFBPs) are covered under the law for reporting purposes, none are subject to supervision. Only one lawyer and one accounting firm are active on the island; there are no insurance or securities entities or other active DNFBPs.

Niue is not a member of the United Nations. On July 16, 2012, Niue acceded to the UN Convention against Transnational Organized Crime. Niue should become a party to the UN Convention against Corruption.

## Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes. Criminal proceeds laundered in Norway derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, the Central Bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities and investment dealers

and firms, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors and housing associations acting as real estate agents, money transporters, and dealers in autos and high value goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 3,433: January 1 - October 31, 2012
***Number of CTRs received and time frame:*** 821: January 1 - October 31, 2012
***STR covered entities:*** Banks, the Central Bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities and investment dealers and firms, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors and housing associations acting as real estate agents, money transporters, and dealers in autos and high value goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Norway is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/61/55/35535328.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Norwegian financial intelligence unit (FIU) voices concern over the low number and poor quality of reports from certain entities covered by the reporting obligation. The number of submitted suspicious transaction reports (STRs) dropped significantly in 2011, to 4,018, down from 6,660 in 2010 and a high of 9,026 in 2008. The reduction can be explained partly by improved customer screening and changes in the reporting regimes of major reporting institutions, but given the overall transaction volume, the FIU suspects considerable underreporting. The implementation of the European Union Payment Services Directive also has resulted in a larger number of smaller agents being licensed to provide money transfer services; and these may be lacking in knowledge or experience about when and how to report. The FIU is attempting to improve the quality of STR reporting by providing specific guidance and follow up to obligated entities. Although aggregate data is not available, the number of money laundering prosecutions and convictions is believed to be low given the size of the Norwegian economy.

In addition to Norway's large currency transaction reporting requirement a purpose declaration is required for currency transactions over NOK 100,000 (approximately $18,165).

Norwegian police agencies share responsibility for identifying, tracing, freezing, seizing, and forfeiting narcotics and terrorist financing related assets. As a general rule, the police may seize direct proceeds from criminal acts. Norwegian law also allows for seizing instruments of crime, but a relationship to the crime must be proven.

## Oman

Oman is not a regional or offshore financial center; trade is generally financed in small amounts of cash. Due to its location on the tip of the Strait of Hormuz, smugglers have been known to operate between Musandam, the northern-most exclave of Oman, and Iran. Oman's 3,000 km coastline and land border crossings are vulnerable to exploitation by smugglers, specifically in Musandam and along its borders with Yemen and the United Arab Emirates. There is a market for smuggled consumer goods, particularly alcohol and narcotics. Police controls and security measures at the points of entry are largely successful in interdicting smuggled goods; and the Government of Oman (GOO) is proactive in tracking and prosecuting drug traffickers. Smuggling and drug trafficking activities raise a limited amount of illegal proceeds. Corruption remains a concern for the GOO.

Terrorist financing is not prevalent in Oman. Hawala is not permitted in the financial service sector, and Omani authorities have acted on two occasions to shutter attempted hawala operations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; merchants of gold, precious metals, and stones; notaries; law and accounting professionals; and investment portfolio managers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; merchants of gold, precious metals and stones; notaries; law and accounting professionals; and investment portfolio managers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

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

Oman 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 can be found here:
http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Sultanate_of_Oman.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOO continues to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regime. In December 2012, Oman formally introduced Islamic banking services into the financial system through Royal Decree 69/2012, which adds a provision to allow such services to be offered under existing banking law. Two new banks are slated to provide Islamic banking products. In addition to the banks, the Central Bank of Oman oversees finance and leasing companies and money exchange establishments, including those which handle remittances of expatriate laborers.

In response to corruption issues, Oman has taken steps against corrupt practices. The GOO has removed ministers and other senior officials, brought investigations by its elected lower house of parliament, granted the State Audit Institution greater investigatory power and strengthened its public Tender Law. The Royal Oman Police Financial Investigations Unit is responsible for enforcing AML/CFT laws and regulations. Oman's financial intelligence unit (FIU) receives few suspicious transaction reports (STRs) from non-bank entities; about 95 percent of STRs are received from mostly foreign banks. The FIU does not have access to daily transaction flows via the Central Bank database. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases. The Omani government does not publish information regarding suspicious transactions and criminal prosecutions. Omani authorities, from the FIU to law enforcement, have no central database; more than 70 databases currently receive different data sets.

To enhance Oman's operational capabilities, the GOO should finalize steps to empower the FIU and law enforcement authorities, as well as provide additional training to improve analytical and investigatory capacity. The FIU should conduct outreach to non-bank financial institutions to improve reporting from the non-bank sectors. The GOO should enhance and integrate its databases to ensure access by appropriate Omani interagency authorities; require enhanced due diligence procedures for politically exposed persons; and collect and publish statistics indicating numbers of STRs, prosecutions, investigations, and convictions in line with international standards. The GOO should become a party to the UN Convention against Corruption.

## Pakistan

Pakistan is strategically located between south, central and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financing.

Common methods for transferring illicit funds include fraudulent trade invoicing, phony currency exchange, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. In 2012, the Pakistani diaspora legitimately remitted $13.2 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawalas/hundis are prevalent throughout Pakistan. These entities also are commonly used to transfer and launder illicit money.

In October 2012, the Financial Action Task Force (FATF) included Pakistan on its Public Statement because of continuing deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, Developmental Financial Institutions (DFIs), exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers and insurance surveyors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 560 in 2011
***Number of CTRs received and time frame:*** 204,417 in 2011
***STR covered entities:*** Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers and insurance surveyors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Though Pakistan has taken some progressive steps towards remedying its AML/CFT regime, the FATF has noted Pakistan's failure to adequately implement the totality of its action plan, or to address certain deficiencies in its terrorism finance laws. Pakistan should adopt legislation to address these deficiencies. Pakistani authorities also need to investigate and prosecute money laundering and terrorism financing and not focus on the predicate offense creating the proceeds of crime. Awareness raising on AML/CFT issues is critical to the judicial sector.

Weak legislation and lack of implementation also have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawalas to operate without a license. However, few hawalas have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address these deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime.

## Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are illegal drugs and prostitution. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorist financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the designated free trade zone area, and the NFTZ directors continue to search for developers and investors.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, credit unions, and money remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 102 in 2012
***Number of CTRs received and time frame:*** 106 in 2012
***STR covered entities:*** Banks, credit unions, money remitters, and non-governmental organizations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Money Laundering Prevention and Control Act (MLPCA) does not include all predicate crimes prescribed in the international standards and currently lacks implementing regulations. Nor does it cover the designated non-financial businesses and professions operating in Palau. Significant deficiencies remain in the areas of customer due diligence, record keeping, monitoring of transactions, and supervision. The Financial Institutions Commission is the anti-money laundering/counter-terrorist financing (AML/CFT) supervisor, but it does not have the resources to issue any regulations nor to ensure AML/CFT compliance. These shortfalls should be remedied by the Government of Palau (GOP).

The Palau financial intelligence unit (FIU) lacks a dedicated budget and staff. The GOP, with donor assistance, organized a multi-agency STR review team to review the reports to help identify and initiate investigations. The multi-agency approach has enabled the FIU to function given its limitations of manpower and funding, and has fostered information sharing and joint investigations among the relevant law enforcement agencies. It is not, however, a long-term solution, and the GOP should dedicate funds and permanent staff to the FIU.

The Cash Courier Disclosure Act has been used successfully by Palau Customs and Security to make bulk cash currency seizures at the airport. The GOP should extend its effective monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics and other contraband.

Palau's Counter-Terrorism Act specifically addresses its obligations under UN Security Council Resolution 1373. However, it does not adequately address provisional measures for seizing of evidence and property and the freezing of capital and financial transactions related to the financing of terrorism. Palau should strengthen its ability to freeze and confiscate assets related to terrorism financing. The GOP should circulate the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau also should become a party to the 1988 UN Drug Convention and the UN Convention against Transnational Organized Crime.

## Panama

Panama's strategic geographic location, dollarized economy, and status as a regional financial, trade and logistics center make it an attractive target for money launderers. The Colon Free Zone (CFZ), the second-largest free trade zone in the world, is located on Panama's Atlantic coast. Money laundered in Panama is believed to be primarily from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Numerous factors hinder the fight against money laundering, including a weak regulatory framework, the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism.

The Government of Panama (GOP) has issued 14 permits to operate free trade zones (FTZs) in Panama. Currently, there are only nine active FTZs, all concentrated in Panama City and Colon.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; free trade zone companies; finance companies; real estate brokers; and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 652 in 2011
***Number of CTRs received and time frame:*** 517,267: January 1 - September 30, 2012
***STR covered entities:*** Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate companies, pawnshops, the CFZ, Panama Pacifico Special Economic Zone, Baru Free Trade Zone and other free trade zones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 25: January 1 – October 1, 2012
***Convictions:*** 26 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Panama is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/eng-evaluaciones.php#informes_evaluaciones_mutuas

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Panama cooperates well with U.S. law enforcement agencies. However, the GOP's success in interdicting illegal drug flows is not matched by success in addressing money laundering concerns. There is limited cooperation and communication among the various government

agencies tasked with addressing money laundering. Agencies are under-resourced, often lacking the personnel and training to investigate and prosecute complex money laundering schemes.

Panama's financial intelligence unit, the UAF, is responsible for analyzing suspicious financial transactions; however, it is ineffective due to a lack of resources and political independence. The UAF does not have the capability to receive STRs in an electronic format, hindering analysis and timely investigations. The UAF reports to the Ministry of the Presidency and, according to a broad range of sources, inquiries initiated by the UAF mainly concern political figures, leading to questions about its independence.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to an accusatory penal system, which began in September 2010, is expected to be fully implemented by 2015, but has not yet had a noticeable effect on money laundering prosecutions.

Panama's Customs Authority is taking steps to reduce the use of Tocumen Airport as an artery for couriers to move cash into Panama. More-targeted enforcement action, in collaboration with U.S. law enforcement agencies, has led to increased scrutiny of passengers and notable seizures of undeclared cash at the airport. Panamanian Customs has also been effective in identifying potential trade-based money laundering (TBML) with information from the Trade Transparency Unit (TTU), a multi-national trade data-sharing entity. The trade information is analyzed to identify anomalies indicative of TBML, trade fraud and other financial crimes. Despite these advances, Customs lacks sufficient resources to fulfill its mandate. Although Customs generates significant revenue for the government, its limited budget constrains its ability to hire skilled personnel and purchase necessary equipment.

As of November 2012, Panama has 14 double taxation treaties and eight tax information exchange agreements, including one with the United States signed in 2010.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs, trade and financial transactions oversight. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ. If the CFZ's electronic transaction recording information system is fully integrated with the TTU, better identification of potential TBML activity will be possible.

The continued existence of bearer share corporations remains a vulnerability of the anti-money laundering (AML) regulatory framework. Additionally, only banks have enhanced due diligence procedures for foreign and domestic PEPs. Executive Decree 55 of February 1, 2012 expands the list of supervision entities, which now includes the Superintendent of Banks; the Panamanian Institute of Autonomous Cooperatives; the Superintendent of Securities Markets; the Colon Free Zone Management; the National Lottery; the Panama Pacifico Agency; the Free Zone of Baru Management; and five offices under the Ministry of Industry and Commerce: the Gaming Control Board, Directorate General of Financial Companies, Real Estate Board, National Directorate of Investments, and Superintendent of Insurance and Reinsurance. Cabinet Decree, Number 43 of November 13, 2012, sets the framework for Panama to become a participant in the Kimberley Process and allows the import and export of rough diamonds. This has raised

concerns that rough diamonds could become a new channel for TBML. A new AML law, which has been in process since 2011, would strengthen the UAF's authority and further increase the number of sectors required to report suspicious transactions. The government has not announced a time frame for enactment.

The GOP must improve its AML legal framework, strengthen the prosecutor's office and the judicial system, and create a more transparent financial network so that money laundering will become more difficult within Panama's borders.

## Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand.

Smuggling and public corruption are problems in PNG. Corruption is one of the main sources of illegal proceeds, especially related to misappropriation of public funds linked to the extraction industries, related licensing procedures, and through fraudulent compensation claims. The risk of domestic corruption is likely to be enhanced as PNG's rapid economic growth continues, fueled by large scale foreign investment in the mining and petroleum sectors. Corruption is also a serious issue in party politics. Transshipment of drugs and other illegal goods en route to Australia is an emerging risk. The financial intelligence unit (FIU) reports that criminals are increasingly using corporate entities to hide funds and move them offshore. Limited PNG capacity in border control and the presence of organized criminal groups pose significant risks for money laundering. PNG relies on assistance from Australia to deter illegal cross-border activities primarily from Indonesia, including illegal narcotics trafficking.

In PNG, the financial sector is small and provides little reach to the very large informal, rural, and self-employed segments of the population. Approximately 85 percent of the adult population (about 3.9 million people) lacks access to the formal sector.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; insurance and securities companies; gambling houses,

casinos, and lotteries; lawyers and accountants; dealers of precious metals and stones; real estate agents; and money changers and remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; gambling houses, casinos, and lotteries; investment managers and insurance companies; real estate agents; dealers in precious metals and stones; money exchanges and remitters; lawyers; and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Papua New Guinea 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/PNG%20MER_July%202011.pdf.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Suspicious transaction reporting is implemented only in the banking sector. Banks must report transactions above 10,000K (approximately $4,000) to the FIU.

PNG's FIU believes that close to half of the PNG budget is lost to fraud and laundered through PNG's banks. Much of this is done by check with little attempt to hide the source of the funds because of the low perceived risk of penalty. The FIU has adopted a proactive approach to combating this activity, focusing its efforts on crime prevention using financial intelligence. As part of this program, the FIU has issued new guidelines on government checks and payments to prevent criminals from being able to process those checks at financial institutions.

PNG and the Solomon Islands have a memorandum of understanding in place to share information on money laundering, transnational crime, and criminal/terrorist financing. PNG is consulting with Taiwan, the Philippines, Singapore, Japan, and Malaysia to develop similar arrangements. However, the FIU claims it is inadequately staffed and resourced to fully address money laundering in Papua New Guinea. The Government of Papua New Guinea (GOPNG) should continue to build the capacity of the FIU.

The government's recent actions have suggested additional momentum to combat corruption and tackle money laundering. The "Task Force Sweep" has led to arrests for the misuse of government funds, including of several current and former government officials; but the GOPNG

has had difficulties recovering stolen government funds in Australian bank accounts or invested in Australian real estate.

Legislatively, PNG authorities should criminalize terrorist financing, and the Ministry of Foreign Affairs and implementing agencies should develop and implement policies and procedures to implement the relevant UNSCRs. The GOPNG also should establish a legislative framework to ensure the immediate freezing of funds belonging to persons or entities designated under UNSCR 1267 and to ensure that lists of persons and entities so designated are distributed among financial institutions. PNG also should develop and implement a comprehensive system for the declaration or disclosure of cross border transportation of cash.

The GOPNG should continue to develop procedures that conform to international anti-money laundering/counter-terrorist financing standards. Domestically, the FIU and Prosecutor's office should work to identify, disrupt, and prosecute suspected money laundering operations. The GOPNG should ensure these agencies, as well as the National Fraud and Anti-Corruption Directorate, are sufficiently resourced to be able to gather evidence, mount investigations, and bring charges. In the international arena, Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

## Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the border region shared with Argentina and Brazil (the tri-border area, or TBA) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay (GOP) suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities have been supplied to terrorist organizations, and trade-based money laundering occurs in the region.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering likely occurs in the formal financial sector and definitely occurs in the non-bank financial sector, particularly in exchange houses, which are often used to move illicit proceeds both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations including banking centers in the United States.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** YES
***KYC covered entities:*** Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; nongovernmental organizations; pawn shops, and dealers in precious stones, metals, art, and antiques

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,487 in 2012
***Number of CTRs received and time frame:*** 2,073,289 in 2012
***STR covered entities:*** Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; nongovernmental organizations; pawn shops, and dealers in precious stones, metals, art, and antiques

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 8 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation, conducted by the International Monetary Fund (IMF), can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

For reporting entities that do not have a natural supervisory authority, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) is the competent supervisor. Both SEPRELAD's budget and staff increased in 2012. In January, SEPRELAD began using software to collect suspicious transaction reports (STR) directly from obligated institutions. The software better establishes the requirements for a STR for obligated institutions and provides a streamlined workflow for collecting supporting documentation. STRs increased 180 percent compared to the average of the previous two years, with a marked increase in reports from exchange houses (98 in 2011; 891 in 2012) and from banks (293 in 2011; 518 in 2012). In 2012, SEPRELAD continued extensive money laundering investigations of four banks and one exchange house in Ciudad del Este that began in late 2011.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The non-governmental organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited. A 2012 law requires that politically exposed persons (PEPs) of foreign nationality be subject to enhanced due diligence procedures, as is required of domestic PEPs. SEPRELAD is still developing procedures to implement this expanded requirement.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. The lack of interagency cooperation throughout Paraguay, and particularly within law enforcement, is an impediment to effective enforcement, prosecution, and reporting efforts. Money laundering criminal prosecutions/convictions data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

In 2012, the GOP enacted a law and implementing regulations that require obligated institutions to freeze preemptively any financial assets they suspect of being linked to terrorism, including terrorism financing and acts of terrorism. This law complements the 2011 terrorist asset freezing law. Paraguay needs to enact effective asset forfeiture legislation. Apart from the terrorist asset freezing laws, Paraguayan law does not provide for freezing or seizure of many criminally-derived assets. Law enforcement can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers and do not include bank accounts. When a seizure does occur, law enforcement authorities cannot dispose of these assets until a defendant is convicted, which frequently takes years.

People entering or leaving the country are required to declare to Customs values exceeding $10,000 or its equivalent in other currencies. However, Customs operations at the airports or overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked.

Although Paraguay has made overall progress in improving its anti-money laundering/counter-terrorism financing regime, and Paraguay's efforts and political commitment are reflected in the issuance of new legislation, the authorities' broader coordination capacity and the strengthening of the institutional frameworks should be enhanced. The GOP should demonstrate the effectiveness of the legislation in force and of mechanisms it has put in place.

## Peru

Peru is not a major regional financial center, nor is it an offshore financial center. According to the most recent U.S. Government statistics, Peru is the world's highest potential producer of both pure cocaine and export-quality cocaine. Significant illegal earnings from drug trafficking are integrated into the Peruvian economy. As the Peruvian economy grows, financial crimes also increase. The most common methods of money laundering in Peru are believed to be via illegal mining, real estate sales, casinos, business investments, high interest loans, construction, export businesses, hotels, and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily dollarized economy, a large informal sector, and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as the informal money exchange and wire transfer services. A large black market for pirated and smuggled goods exists, flush with cash transactions. Corruption remains an issue of concern in Peru.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs

agency, casinos, auto dealers, construction or real estate firms, and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,605: January 1 – September 30, 2012
***Number of CTRs received and time frame:*** 2.36 million: January 1 – September 30, 2012
***STR covered entities:*** Banks; casinos; investment houses; dealers of arms, antiques, precious metals and stones; warehouses, construction and real estate firms; financial and insurance companies; travel agents; vehicle dealerships, import and export agents; credit card companies, courier and postal services, money lenders and money exchanges; customs; mining companies; individuals and enterprises that manufacture and commercialize explosives or chemical components used in drugs and explosives; and public entities that receive funds from other than the national treasury

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Peru is a member of the Financial Action Task Force (FATF) for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/actividades.asp?offset=-1

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the Government of Peru (GOP) made significant strides in the implementation of its "National Plan to Combat Money Laundering and Terrorist Financing" (National Plan). The most notable advancements include the passage of two pieces of legislation revamping asset forfeiture and anti-money laundering laws. The passage of these two legislative decrees achieves the majority of the legislative reform benchmarks set in the National Plan. While the legislation grants the Public Ministry and Financial Intelligence Unit (FIU) access to information covered by bank and tax secrecy laws, these new powers will likely be challenged, which will prevent effective investigation and enforcement.

Casinos remain an area of serious money laundering concern. Oversight of the gaming sector is very weak. The Ministry of Foreign Commerce and Tourism (MINCETUR), a participant in the National Plan, is the principal regulator of casinos. The FIU cannot monitor or investigate casinos for money laundering independently from MINCETUR. MINCETUR provides information to the FIU by requiring casinos to report suspicious transactions. The GOP needs to strengthen its oversight of casinos if it wishes to address potential money laundering in these entities by, for example, establishing restrictions on cash-to-cash, cash-to-check, and cash-to-wire transfer transactions in casinos.

Businesses involved in the transfer of funds only need prior authorization by the Superintendencia de Banca, Seguros y AFP (SBS), while cash couriers need a signed agreement with the Ministry of Transportation and Communication. Informal remittance businesses remain unsupervised and vulnerable to money laundering. These businesses include travel agencies and small wire transfer businesses. In August, the SBS issued a special regulation (5709-2012) on anti-money laundering/counter-terrorist financing prevention for notaries. The regulation provides a legal framework and guidelines for notaries to detect unusual or suspicious activities by their clients. Additionally, a special regulation was passed (Res SBS 6338-2012) which requires money exchange houses and pawn shops to register with authorities prior to starting a business. Peru should adequately supervise and regulate its financial institutions and DNFBPs.

Depending on the predicate offense, specialized prosecutors from the Public Ministry's Coordinating Office on Organized Crime or its Office on Drug Trafficking are responsible for dealing with the majority of money laundering cases. Peru would benefit from reforms in the prosecutorial system – including in the conduct of investigations, presenting investigative results to prosecutors, writing investigative results in clearer language, and improving prosecutorial capacity. Out of over 2,600 STRs filed during the first nine months of 2012 totaling over $7 billion, only 72 FIU reports were submitted to the Public Ministry. Prosecutors complain they cannot understand the format or language of many of the FIU's investigative results, and the 120-day time frame for prosecutors to investigate results is insufficient. The prosecutors' office has added two forensic accountants to its staff to analyze incoming reports from the FIU, but it is unlikely this will be sufficient. Compounding the problem, many judges do not have adequate training to manage the technical elements of money laundering cases, and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses or predicate crimes such as tax evasion or drug trafficking, which are easier offenses to prosecute successfully. GOP agencies and ministries involved in anti-money laundering criminal enforcement and proceedings should share a common definition and categorization of "money laundering conviction." Combined with enhanced interagency information sharing practices, the GOP could then provide more accurate annual statistics.

Under Legislative Decree 25475, terrorist financing is established as a collaborative crime with terrorism and is criminalized in and of itself. On November 21, the GOP issued Legislative Decree 29936 to modify Legislative Decree 25475. Most importantly, it defines terrorist financing as an autonomous crime independent of predicate offenses.

While the GOP can freeze and seize accounts in the course of a traditional criminal case, Legislative Decree 1106 – "Legislation to Fight against Money Laundering and other crimes linked with Illegal Mining and Organized Crime" – specifically empowers the FIU and SBS to freeze bank accounts in cases suspected of links to money laundering or terrorist financing within 24 hours of a request made by a judge, regardless of whether a criminal case has been filed.

Since April 2011, due to a leak of sensitive information published by the Peruvian press, the U.S. Financial Crimes Enforcement Network (FinCEN) has continued to suspend its exchange of information related to money laundering and terrorist financing with the FIU. FinCEN is

working with the Peruvian FIU on measures to prevent information leaks in the future and has set conditions for the resumption of information sharing with the Peruvian FIU.

## Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is increasingly becoming an important player in Asia. Corruption is a source of laundered funds, and smuggling, particularly bulk cash smuggling, is a major problem. The Philippines continues to experience foreign organized criminal activity from players in China, Hong Kong, and Taiwan. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, and criminal activities are partially funded through kidnapping for ransom as well as narcotics and arms trafficking. In terms of narcotics trafficking, methamphetamine use is particularly high in the Philippines. While there are significant domestic clandestine methamphetamine laboratories, the drug also enters the country through bulk importation/smuggling via maritime vessels as well as air passenger couriers.

Casinos currently are not covered institutions under the Anti-Money Laundering Act (AMLA), although the laws surrounding online gaming are less clear. In 2011, gaming generated $1.3 billion and the revenue streams will expand further with a large, new casino slated to open soon in Manila. The Philippine Amusement and Gaming Corporation, a fully owned government entity, regulates the gaming industry.

Remittances sent to the Philippines by its large expatriate community also provide a channel for money laundering. However, banks and money remitters are now able to capture the bulk of remittances, approximately 80 - 90 percent, sent by overseas foreign workers to the Philippines.

The Philippines, dubbed the "world's texting capital," is a leader in the use of cell phone technology for funds transfers. Although less prevalent, the Government of the Philippines (GOP) has also started using this technology for government-to-persons (G2P) payments, such as through its Conditional Cash Transfer Program. The technology/systems used by telecom firms for facilitating financial transfers are subject to study and approval by the Philippine Central Bank.

The Philippine Economic Zone Authority (PEZA) regulates the 273 economic zones that are established throughout the country, and a handful of other zones are regulated locally or by the Bases Conversion Development Authority. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in locally regulated zones. In addition, the Central Bank exercises regulatory supervision over four offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks (universal, commercial, thrift, rural, and Islamic) and quasi banks; pawn shops and dealers in precious metals and stones; life insurance and pre-need companies, agents and brokers; mutual benefit associations; professional reinsurers and reinsurance brokers; holding companies; trusts for charitable uses; securities dealers and brokers/sales representatives, investment houses, mutual funds, trusts, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, and remittance/transfer agents; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and accountants

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 17,711 in 2012
***Number of CTRs received and time frame:*** 49,061,986 in 2012
***STR covered entities:*** Banks (universal, commercial, thrift, rural, and Islamic) and quasi banks; pawn shops and dealers in precious metals and stones; life insurance and pre-need companies, agents and brokers; mutual benefit associations; professional reinsurers and reinsurance brokers; holding companies; trusts for charitable uses; securities dealers and brokers/sales representatives, investment houses, mutual funds, trusts, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, and remittance/transfer agents; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 13 in 2012
***Convictions:*** 0 in 2012

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

The Philippines 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/The%20Philippines%20DAR%20-%20Final%20%20210809.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In June 2012, the Philippines enacted legislation to address some noted major deficiencies. The changes authorize the Anti-Money Laundering Council (AMLC) to apply to the courts for ex parte inquiry into deposits and investments in relation to all unlawful activities enumerated under the AMLA. The changes also make terrorism financing a stand-alone crime and empower the AMLC to freeze funds and properties of designated terrorists and terrorist organizations, without delay, for cases involving terrorist financing.

Revised Implementing Rules and Regulations issued in August 2012 now define a politically exposed person (PEP) and require covered institutions to take reasonable measures to determine whether a customer or beneficial owner is a PEP. The rules call for enhanced due diligence only for domestic PEPs assessed as high risk for money laundering and terrorist financing, including obtaining senior management approval for establishing or continuing business relationships and establishing their source of wealth/source of funds. Foreign PEPs are automatically subject to enhanced due diligence.

Legislation pending in the Philippine Senate seeks to address other deficiencies by expanding the definition of a money laundering offense according to standards specified by international conventions to which the Philippines is a party, and expanding the lists of covered institutions and predicate crimes. The country should pass this legislation. In addition, the country should seek to include casinos in the proposed list of covered institutions.

While the GOP has made notable progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement.

## Poland

Poland lies directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering. According to Polish government 2011 estimates, narcotics trafficking, organized crime activity, auto theft, smuggling, extortion, counterfeiting, burglary, and other crimes generate criminal proceeds in the range of approximately $2 billion a year.

Evasion of customs duties and taxes by organized Polish criminal elements is the largest source of illegal income. Authorities report a new trend in 2012, where Asian (primarily Chinese and Vietnamese) organized criminal elements are increasingly remitting profits from tax evasion and the sale of counterfeit goods via money transfers and couriers. The majority of Asian organized crime activity occurs at the Chinese Trade Center located in Wolka Kosowska, approximately 25 kilometers from Warsaw. There are also smaller Asian shopping centers located in Rzgow (near Lodz) and Jaworzno (near Katowice) where organized crime activity is suspected. The principal scheme involves the extreme undervaluing of imported goods through the falsification of invoices which are used to determine the Customs value of products and the value added tax. Illegal drug trafficking also is suspected to occur at these markets.

Fuel and cigarette smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging delivery documents, is a major source of laundered proceeds. The

practice is particularly significant along the Kaliningrad border. Money laundering through trade in scrap metal and recyclable material continues to occur, as does organized criminal activity in the financial services area (internet banking, credit cards, and electronic systems for money transfers). Some money laundered in Poland is believed to originate in Russia or other countries of the former Soviet Union. The Government of Poland (GOP) estimates the gray economy, used primarily for tax evasion, may exceed approximately 15 percent of Poland's gross domestic product. The GOP considers the nation's banks, insurance companies, brokerage houses, and casinos to be important venues of money laundering.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign legal entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, dealers of high value goods and precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 24,408 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high value goods and precious metals and stones, and new payment services entities/agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 192 in 2011
***Convictions:*** 26 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

Poland 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The GOP continues to strengthen and harmonize its anti-money laundering/counter-terrorist financing legal and regulatory tools and institutions. In recent years, cooperation among relevant authorities and institutions has increased. The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is improving with the increase in the number of cooperation agreements concluded with counterparts in such countries. There is also good and improving cooperation with international law enforcement agencies.

Poland should ensure promulgating regulations are fully effective. The GOP should promote additional capacity building in the private sector and continue to improve communication and coordination among the financial intelligence unit (FIU) and relevant law enforcement agencies. Police and customs authorities should continue to receive training on recognizing money laundering and tax evasion schemes, including trade-based money laundering and informal value transfer systems, particularly as practiced by organized Asian criminal groups. As in previous years, the FIU is looking for ways to upgrade analytical tools in order to be able to process data more comprehensively and efficiently.

## Portugal

Portugal is an entry point for narcotics transiting into Europe, 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 transshipment point for drugs coming from West Africa entering Europe.

Portuguese authorities have detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Authorities also have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, and aiding or facilitating illegal immigration. Currency exchanges and real estate purchases often are used for laundering criminal proceeds.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The Turismo de Portugal (Tourism office) supervises and monitors casinos. Online casinos are illegal.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high value goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,699 in 2011
***Number of CTRs received and time frame:*** 8,976 in 2011
***STR covered entities:*** Banks and credit institutions; investment companies; life insurance companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; pension fund management, credit securitization, venture capital, and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; traders in high value goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 8 in 2011
***Convictions:*** 4 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

Portugal is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here:
http://www.fatf-gafi.org/countries/n-r/portugal/documents/mutualevaluationofportugal.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code, as revised in 2007, provides for criminal corporate liability for money laundering and certain other crimes.

## Qatar

Qatar has become an increasingly important banking and financial services center in the Gulf region. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. Rising crime rates; a large number of expatriate laborers who send remittances to their home countries; the expansion of both trade and the financial sector; the liberalization and growth in the real estate sector; uneven corporate oversight; and Iran's efforts to bypass sanctions through Gulf economies make Qatar increasingly vulnerable to the threat of money laundering.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and non-profit organizations (NPOs)

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 210 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and NPOs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 4: January 1 – April 30, 2012
***Convictions:*** 2: January 1 – April 30, 2012

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

Qatar is a 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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Qatar (GOQ) improved its anti-money laundering/counter-terrorist financing (AML/CFT) regime with the passage of its October 2011 trafficking in persons (TIP) law, which made TIP a predicate offense for money laundering. The Qatar Financial Information Unit (QFIU) issued guidelines on suspicious transaction reporting (STR) obligations and conducted outreach and workshops with financial institutions. In 2012, the QFIU launched its "2013-2017 Strategy: Financial Transparency to Promote Stability."

The National Anti-Terrorism Committee, located in the Ministry of Interior, has the authority by resolution to designate as terrorists and terrorist organizations those who finance terrorism independently of lists forwarded to the GOQ pursuant to UNSCRs 1276 and 1373. No designations have yet been made. As of April 2012, the QFIU had received 11 STRs related to terrorist financing, none of which were disseminated to law enforcement or to the Public Prosecutor.

Qatar should continue its efforts to effectively implement AML/CFT regulations and procedures and should ensure sufficient resources and training are provided to develop the necessary institutional capacity. Qatar should continue to work to increase the rate of investigations and prosecutions by building capacity within its law enforcement authorities. Qatar also should pursue outreach and enforcement activities to ensure terrorist financing-related STR reporting occurs, and ensure the 1267/1373 freezing regime is effectively implemented. Qatar should mandate the declaration of cross-border movements of bulk cash or negotiable instruments.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, 1803, and 1929 and prohibited transactions with listed entities. Bank Saderat is the only active Iranian financial entity, with two small branches in Doha. As a foreign bank, Saderat cannot open new branches or expand its activities in Qatar. Reflecting general concerns in the Gulf about Iranian financial institutions, many Qatari banks no longer clear checks for Bank Saderat, and Qatari banks have ended all correspondent relations with Saderat.

## Romania

Romania's geographical location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles and persons by transnational organized criminal groups. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Tax fraud, fraudulent claims in consumer lending, and trans-border smuggling of people, counterfeit goods, vehicles and cigarettes are additional types of crimes prevalent in Romania that generate illicit proceeds. Laundered money comes primarily from international crime syndicates that conduct their criminal activity in Romania, and subsequently launder their illicit proceeds through illegitimate front companies. Commercial transactions have been the

main method of money laundering, mainly through use of shell and offshore companies; this primarily involves fraudulent claims for value added tax 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 cybercriminals are increasingly targeting victims elsewhere in Europe, as well as in Romania itself.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; financial investment service providers; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; casinos; persons responsible for privatizations; non-governmental organizations; real estate brokers; and individuals or corporate traders of goods and/or services with a minimum 15,000 euro (approximately $19,822) cash turnover

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,488: January 1 to November 12, 2012
***Number of CTRs received and time frame:*** 8,580: January 1 to November 12, 2012
***STR covered entities:*** Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; and real estate brokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 219: January 1 – May 31, 2012
***Convictions:*** 129: January 1 – November 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Romania 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/Countries/Romania_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Romania's financial intelligence unit (FIU) faces the continual challenge of limited financial, human, and technical resources. The Government of Romania (GOR) should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. Legislative changes during 2012 include updating the list of third countries with similar requirements on the prevention and combat of money laundering and terrorism financing as well as the adoption of a cash declaration form format stipulated by the European Union. In 2012, the GOR also signed two new memoranda of understanding, with France and Turkmenistan, on exchanging information on money laundering and terrorism financing cases.

In order to improve the rate of money laundering prosecutions and convictions, the Romanian authorities should not become overly reliant on STRs and other forms of financial intelligence but instead empower law enforcement and customs authorities to detect and investigate money laundering at the street level including borders and ports. The GOR should improve implementation of existing procedures for the timely freezing, seizure and forfeiture of criminal or terrorist-related assets. Romania also should continue to improve combating corruption in public procurement. For 2012, the GOR reported at least one case in which corruption was identified as a predicate offense contributing to money laundering.

## Russia

The Russian financial sector is considered large, but not in relation to the size of the large corporations that dominate the economy. The current Russian administration aspires to transform Moscow into an international financial center. While there has been significant progress in improving the legal and enforcement framework, the prevalence of money laundering in Russia, high levels of organized crime, and corruption stand as major obstacles to this goal. A lack of transparency in the financial sector generally helps to enable corruption.

Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. The country is considered a significant transit and destination country for international narcotics traffickers who also use the country to launder the proceeds of their crimes. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, both domestic and foreign real estate, and luxury consumer goods.

Russia's money laundering risk factors include an economic environment conducive to fraud; many large-scale financial transactions associated with its vast natural resources; the state's

major role in the economy; and chronic under-funding and lack of capacity of regulatory and law enforcement agencies. These factors help create an enabling environment for corruption and financial criminality. The country's vast territory means that relations with both its regions and quasi-autonomous regions, especially in the Caucasus region, have relatively low oversight. Considerable vulnerabilities exist in relation to money laundering and the funding of terrorism in these areas.

Gaming is only allowed in particular regions, with regulation shared across multiple agencies, including the Ministries of Finance and Internal Affairs. Russian gaming regulations are strict, although it is difficult to make broad conclusions about the effectiveness of enforcement beyond a few high profile cases. Online gaming is not allowed. Cybercrime is also a problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, there is likely to be a considerable amount of transfers through informal value transfer systems that may pose a vulnerability.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All crimes approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and persons providing legal or accounting services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,316,872: January 1 – March 31, 2012
***Number of CTRs received and time frame:*** 826,444: January 1 - March 31, 2012
***STR covered entities:*** Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and persons providing legal or accounting services; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 81: January 1 – March 31, 2012
***Convictions:*** 173 in 2011

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

Russia is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/n-r/russianfederation/

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Russia (GOR) has an effective legal and enforcement framework to deal with money laundering and terrorist financing. While amendments to the law are being proposed they have not yet been taken up for consideration by the Duma. The amendments are expected to contain several positive measures, including establishment of beneficial ownership requirements, such as criteria under which a person might be deemed a beneficial owner, and identification requirements. The amendments also are expected to expand the list of entities subject to anti-money laundering/countering the financing of terrorism (AML/CFT) requirements and the scope of transactions falling under the financial intelligence unit's control. The GOR should pass these legislative changes.

In 2010, self-laundering of amounts lower than RUB 6 million (approximately $196,800) was decriminalized with the rationale being it would allow authorities to better focus on third party laundering. This contradicts international standards, however; and Russian authorities have been encouraged to reconsider this limit. Russia also should ensure that obligated entities are able to report every type of suspicious activity related to money laundering.

Though the overall STR regime is working well in practice, presently there is no legal basis for reporting attempted transactions by occasional customers. There is also no prohibition on maintaining existing accounts under fictitious names, even in cases where bona fide identification was shown at the time of opening the account. The Central Bank requires banks to conduct repeat identification of customers when there is doubt over previously submitted identification, but other financial institutions are not subject to such requirements. Banks also lack the authority to refuse to carry out a transaction or to open an account when they have strong AML concerns regarding the transaction or prospective clients. The above proposed amendments may address some of these issues, including allowing banks to refuse to open accounts when there is suspicion of fraud as well as prohibiting accounts for anonymous owners or those using pseudonyms. Further attempts should be made to bring the AML efforts of all Russian banks to a more sophisticated level, including continued enhancement of the compliance training and certification process.

Although the GOR continues to establish and develop anti-corruption measures, corruption continues to be a problem. Domestic PEPs still are not monitored with the same scrutiny as foreign PEPs. The government should ensure that domestic PEPs are put under the same scrutiny as foreign PEPs.

## Rwanda

Rwanda is not a major or offshore financial center. The Rwandan financial system remains relatively unsophisticated, although the number of electronic fund transfers and credit card transactions is rising. Money transfers by cell phone are becoming common. While the black market for smuggled goods is limited, the smuggling of tin, tantalum, tungsten, and gold from neighboring Democratic Republic of Congo generates funds which may be laundered through Rwanda's financial system. The scope of this smuggling is difficult to quantify.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies, and non-governmental organizations

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies, and non-governmental organizations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Rwanda's Law 48/2008, "Prevention and Suppression of Money Laundering and the Financing of Terrorism," establishes a legislative anti-money laundering/counter-terrorist financing regime. Law 01/2012, "Instituting the Penal Code," passed in June 2012, updates the established legal framework. With this new legislation, Rwanda moves from a list-based approach to a broader "serious crimes" approach for money laundering and terrorism financing offenses. The new penal code also criminalizes tipping off for the first time. The establishment of a financial intelligence unit (FIU) within the Rwanda National Police has improved monitoring of the financial system. This improvement, however, has not yet led to an increase in financial prosecutions and convictions. In general, relevant agencies of the Government of Rwanda need significant further training, resources, and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorist financing.

Under Rwandan law, all foreign currency transactions in excess of $20,000 or its equivalent are documented and reported to the Central Bank. Any transaction of any type in excess of $1 million must be reported as a suspicious transaction.

Rwanda should provide safe harbor protections for its reporting entities and gatekeepers, seek to provide training and resources for its competent authorities, ensure its FIU's autonomy, and take steps toward becoming a member of a FSRB.

## Samoa

The Independent State of Samoa is not known to have major organized crime, fraud, or drug problems, and due to the small size of the local economy and the banking sector, Samoa has not become a haven for money laundering or terrorist financing. There is also no significant evidence of large scale public corruption or black market activity. The most common financial crimes within the jurisdiction appear to be low-level fraud and theft.

According to law enforcement, criminal organizations based in Hawaii and California are involved in the trafficking of cocaine, MDMA, and crystal methamphetamine into the island nations, including Samoa. Additionally, South American and Australian based organizations use the South Pacific islands as transshipment locations for cocaine being shipped from South America into Australia and New Zealand.

Samoa is an offshore financial jurisdiction administered by the Samoa International Finance Authority (SIFA). According to a June 2011 report, there are eight international banks, eight trustee companies, four private international mutual fund companies, and four international insurance companies. SIFA reported that from June 2010 through 2011, 4,421 international business companies (IBCs) were registered; there is no clear indication of the total number registered. SIFA's annual report indicates that, in recent years, approximately 4,000 IBCs per

year were registered. For entities registered or licensed under the various Offshore Finance Centre Acts, there are no currency or exchange controls, and no foreign exchange levies payable on foreign currency transactions. No income tax or other duties, nor any other direct or indirect tax or stamp duty is payable by registered/licensed entities.

There are four locally incorporated commercial banks, supervised by the Central Bank. There are no casinos, but licenses recently have been given to two private entities to operate casinos in the future. In addition, two local lotteries are in operation.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, money remitters, casinos, real estate agents, lawyers, accountants, trust and company service providers, credit unions, foreign exchange dealers, dealers of precious metals and stones, and insurance companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 11 in 2010
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, casinos, real estate agents, lawyers, accountants, foreign exchange dealers, money remitters, credit unions, dealers of precious metals and stones, trust and company service providers, and insurance companies

***RECORDS EXCHANGE MECHANISM:***

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

Samoa is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Money Laundering Prevention Task Force (MLPTF) meets quarterly to advise or make recommendations to the Money Laundering Prevention Authority (MLPA), which houses

Samoa's financial intelligence unit (FIU). The task force consists of heads from the Central Bank, Attorney General, Police Force, SIFA, Ministry of the Prime Minister, and FIU. More importantly, the MLPTF is tasked to ensure close liaison, cooperation and coordination among various Government of Samoa departments and corporations. To ensure this, the task force established a memorandum of understanding among the FIU and all members of the task force with respect to formal exchange and sharing of relevant information to counter money laundering offenses and terrorist financing activities. The Central Bank of Samoa, SIFA, and the MLPA regulate the financial system.

An independent and permanent Transnational Crime Unit (TCU) is established under the authority of the Ministry of the Prime Minister. The TCU is staffed by personnel from the Samoa Police Service, Immigration Division of the Ministry of the Prime Minister, and Division of Customs. The TCU is responsible for intelligence gathering and analysis and investigating transnational crimes, including money laundering, terrorist financing and the smuggling of narcotics and people.

While legal structures are in place to combat both money laundering and terrorist financing, resource constraints continue to limit investigatory and prosecutorial capacity. Reporting and oversight mechanisms appear to be under-funded and the government should consider expanding their resources, particularly in light of the risks associated with the offshore sector. The addition of gaming operations in Samoa will require increased regulatory oversight and management to limit money laundering risk and criminal exposure. Particular aspects of the country's anti-money laundering law should be strengthened, such as requiring enhanced due diligence for politically exposed persons (PEPs) and ascertaining beneficial ownership.

Samoa should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

## San Marino

The Republic of San Marino is an extremely small country surrounded by Italy. San Marino continues to take steps to improve its anti-money laundering regime and increase the transparency of its financial sector.

Money laundering occurs in both the formal and non-bank financial sectors, unrelated to narcotics trafficking. Money laundering is mainly trade-based and is perpetrated by foreigners to avoid higher taxes in their home countries. However, stricter monitoring regulations appear to have resulted in a decrease overall in financial crimes. There are no free trade zones or casinos in San Marino, nor is there a significant market for illegal or smuggled goods.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 204: January 1 - November 10, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks and financial companies, insurance and reinsurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

San Marino is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and 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/San%20Marino_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In recent years, San Marino has continued to make improvements to its legislation and anti-money laundering/counter-terrorist financing regime. San Marino has signed memorandums of understanding with a number of countries, including the U.S., Denmark, and Guernsey. It also has signed tax information exchange agreements or double taxation agreements with 41 countries, including all major European Union member states.

San Marino should become a party to the UN Convention against Corruption.

## Sao Tome & Principe

Sao Tome and Principe (STP) is not a regional financial center and has an extremely small banking sector. The economy is almost entirely cash-based, though limited automated teller machine service was introduced in 2011. There is no evidence that significant money laundering/terrorist financing activity linked to the drug trade, contraband smuggling, or terrorism occurs in STP.

STP's lack of progress in establishing an anti-money laundering/counter-terrorist financing (AML/CFT) regime results in significant vulnerability. The Financial Action Task Force (FATF) included STP in its October 19, 2012 Public Statement because of this continuing lack of progress in correcting strategic deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** The Central Bank, commercial banks and the Public Ministry

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 64: January 1 - July 31, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** The Central Bank, commercial banks, the Public Ministry, insurance companies, casinos, and real estate companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

In May 2012 STP became a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. STP underwent its first mutual evaluation in December 2012; once published, the report will be available here: http://www.giaba.org/about-giaba/25_mutual-evaluation.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Sao Tome and Principe (GOSTP) lacks an effective AML/CFT regime. Its legal framework does not meet international standards, and its regulatory and supervisory regime is lacking in capacity as well as coverage – not all entities covered under the law have a regulator and there are no effective sanctions for lack of compliance. While the GOSTP is working to address these deficiencies, full implementation of the action plan to correct shortcomings will be a challenge, given the country's scarce resources and low capacity within the government, national security forces, and the judiciary. Implementation is dependent on the country's fiscal situation. STP depends on donors for 93 percent of its budget.

The new criminal code addressing additional predicate offenses, as well as criminalizing tipping off, came into effect in August 2012. Authorities also are working on a new AML law. Counterfeiting, piracy of products, insider trading and market manipulation still will not be included as predicate offenses in the new law because of conflicts with STP's domestic legal framework. In December 2012, the new AML law was under review by the National Assembly. The proposed new law states all STRs must be sent to the financial intelligence unit (FIU) instead of the Public Prosecutor. The FIU, which lacks resources and capacity, is not fully operational. The government has committed to providing the FIU with what it needs to operate effectively.

## Saudi Arabia

The Kingdom of Saudi Arabia is a growing financial center in the Gulf Region. With a large expatriate labor community and a predominantly cash-based society, it is susceptible to money laundering and terrorist financing originating from Saudi criminal enterprises, private individuals, and Saudi-based charities. There are no available statistics indicating the size and scope of drug-linked money laundering. Saudi bulk cash smuggling from individual donors and charities has reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. As one way of addressing the potential diversion of charitable giving, the Saudi government has attempted to consolidate charitable campaigns under Ministry of Interior supervision. With the advent of tighter bank regulations, funds are reportedly collected and illicitly transferred in cash, often via pilgrims performing Hajj or Umrah. Underground remittance systems such as hawala are also present in Saudi Arabia and have been used to finance terrorism. Despite serious and effective efforts to counter the funding of terrorism originating from within its borders, entities in Saudi Arabia continue to serve as an important source of funds flowing to Sunni-based extremist groups. Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country. The government does not regularly publish official criminal statistics.

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

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

***AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, money exchangers, real estate agents, dealers in precious metals and stones, lawyers, and accountants

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** 2,200: January 1 – October 31, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, insurance companies, exchange companies and institutions, investment and insurance companies, commercial companies, sole proprietorships, law firms, and vocational activities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
**Prosecutions:** 317: January 1 - November 30, 2012
***Convictions:*** Not available

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

Saudi Arabia is a 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/MER/MER_SaudiArabia_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately eight million expatriates living in Saudi Arabia, Saudi banks have taken the initiative to create fast, efficient, and cost-effective funds transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods. As of November 2012, the government was considering a law forcing employers to pay expatriate laborers via reloadable debit cards linked to bank accounts in an effort to reduce cash usage and increase oversight capabilities.

Saudi Arabia's Council of Senior Scholars (the Kingdom's highest religious body and functional equivalent to the U.S. Supreme Court) issued an edict (fatwa) specifically defining acts of terrorism, specifying that committing such acts was illegal both in Muslim and non-Muslim countries, and declaring that financing terrorism, knowingly or unknowingly, was illegal and

punishable under Islamic law. Fatwas from the Council of Senior Scholars constitute the most definitive interpretations of Islamic Sharia. Nevertheless, Saudi Arabia should enact a full statutory criminalization of terrorist financing and structure it as separate from the money laundering offense.

Sweeping counter-terrorism operations and resulting arrests have demonstrated Saudi Arabia's effectiveness at disrupting planning and financing within the Kingdom. Contributions to charities are subject to strict guidelines, including that they must be in Saudi riyals, adhere to enhanced identification requirements, and be made only by checks payable to the first beneficiary, which then must be deposited in a Saudi bank. Regulations also forbid charities from using ATMs and credit cards for charitable purposes, from making cash contributions, and from making money transfers outside of Saudi Arabia.

Saudi Arabia has the highest per capita gold consumption in the world. The misuse of the gold trade to launder money and finance terror should be examined by Saudi authorities. Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has improved and helped to stem the flow of illicit funds through Saudi financial institutions. The Saudis' ability to stop bulk cash smuggling also has improved. However, cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow.

The Kingdom of Saudi Arabia should become a party to the UN Convention against Corruption.

## Senegal

A regional financial center with a largely cash-based economy, Senegal has proven vulnerable to money laundering. Various reports, as well as Senegalese officials, indicate that Senegal is vulnerable to the activities of organized crime, drug trafficking, internet fraud, bank and deposit fraud, document forgery, and ponzi schemes. There is evidence of increasing criminal activity by foreigners, including narcotics trafficking by Latin American groups. Many foreign traffickers use Senegal as a hub to export drugs to Europe and other destinations. Inadequate enforcement of relevant laws creates a permissive environment for criminals seeking to launder money.

Reportedly, most domestically generated laundered funds derive from corruption and embezzlement. Corruption permeates all levels of government and commerce. Also of concern are organized crime figures who launder and invest in Senegal their personal and their organizations' proceeds from the growing West African narcotics trade. The increasing numbers of used imported vehicles suggest the existence of both trade-based money laundering (TBML) and regional stolen car networks. Many stolen U.S. vehicles are routed to West Africa.

Dakar's active real estate market is largely financed by cash, and the construction industry appears to be a popular vehicle for laundering illicit funds. The continued building boom and high property prices suggest there is an increasing amount of funds of uncertain or dubious origin circulating in Senegal. Ownership and transfer of property are not transparent.

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. The widespread use of cash, hawaladars, and new payment methods also presents money laundering vulnerabilities. Mobile wallets cater to the needs of the Senegalese unbanked, which make up 94 percent of the population, but are not always subject to anti-money laundering/combating the financing of terrorism (AML/CFT) controls.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; non-governmental organizations; and the Public Treasury

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 58: January 1 – September 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; non-governmental organizations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 74 in 2011
***Convictions:*** 1: January 1 – September 30, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:
http://www.giaba.org/reports/mutual-evaluation/Senegal.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Senegal (GOS) has taken steps to prevent financial crimes. Although the aggregate numbers are still small, with a 9.5 percent increase in STR reporting and a threefold increase in money laundering prosecutions between 2010 and 2011, Senegal's AML/CFT regime continues to tighten. By the end of 2011, 859 stakeholders had been trained on AML/CFT requirements through computer-based training. Senegal's financial intelligence unit, CENTIF, believes this indicates a trend toward increased use of the formal financial sector. Senegal is taking steps to computerize land registration to increase the transparency of the real estate sector.

According to critics, the Law of February 9, 2004 on the Fight against Money Laundering, as amended, allows a level of protection for white collar offenders and dignitaries and violates the West African Economic and Monetary Union (WAEMU) legislation all WAEMU members are required to have in force. The general opinion is that the GOS is trying to protect white collar offenders and those with ties to the government.

Senegalese police have limited logistics capabilities and little expertise in investigating financial crimes. Senegalese law enforcement authorities should be trained to identify and investigate suspected money laundering in both the formal and informal financial sectors. The CENTIF should improve outreach and better monitor non-bank financial institutions and money service businesses.

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. CENTIF has been working to achieve this goal regarding terrorist financing.

The GOS should continue to work to bring its AML/CFT regime into full compliance with international standards. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. The GOS should establish better uniform control of the cross-border flow of currency and other bearer negotiable instruments for both residents and nonresidents. The GOS should work with the international community to review its amended AML law, and revise it as necessary to bring it into conformity with the applicable WAEMU legislation and/or to address new or persistent vulnerabilities in the AML/CFT regime.

## Serbia

Serbia is not considered a regional financial center. However, Serbia is situated on a major trade corridor known as the Balkan route and commonly confronts narcotics trafficking; smuggling of persons, weapons, cigarettes, vehicles, and pirated goods; tax evasion; and other criminal

activities. While the bulk of narcotics seizures are of heroin, it has become apparent in recent years that Serbian organized criminal groups or organized criminal groups which include Serbian citizens increasingly are trafficking cocaine originating in South America to Western European countries. Serbia has long been and continues to be a black market for smuggled goods. Corruption and organized crime also continue to be significant problems in Serbia.

Proceeds from illegal activities are invested in real estate and, increasingly, into sports, particularly football (soccer) club operations. Cyprus, Macedonia, Hungary, Switzerland, Austria, Netherlands, and China are destinations for laundered funds. Trade and service based transactions, particularly through the use of over- or under-invoicing, are a commonly used method for laundering money and transferring value. Purchases of some private and state-owned companies have been linked to money laundering activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring and forfeiting; guarantors; and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 811 in 2012
***Number of CTRs received and time frame:*** 266,436 in 2012
***STR covered entities:*** Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring and forfeiting; guarantors; and lawyers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

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

Serbia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Serbia (GOS) has taken a number of steps to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regime in recent years. At the end of 2012 Serbia passed amendments to the Criminal Code which, among other things, address terrorist financing. According to the 2012 amendments, the terrorist financing offense is no longer linked to a specific terrorist act and covers a range of activities listed in the annex to the UN Terrorist Financing Convention. Furthermore, a new offense of conspiring with the intention to finance terrorist activities also has been introduced.

Serbia has no law that establishes procedures for administrative freezing of assets. A draft Law on Restrictive Measures that will authorize use of this procedure is with the Administration for Prevention of Money Laundering, Serbia's financial intelligence unit (FIU).

The GOS maintains bilateral agreements on mutual legal assistance with 31 countries, but not the United States. The FIU has signed information sharing agreements with 15 countries.

Serbia should continue to pursue measures to improve supervision of securities firms, money service businesses, and designated non-financial businesses and professions (DNFBPs) and to provide them with sufficient guidance to ensure they understand and are able to comply with their responsibilities under the law. The National Bank of Serbia and other supervisory bodies, as well as investigative agencies, the FIU, prosecutors, and judges require additional resources, in particular for building their professional capabilities. Law enforcement and prosecutors also need to make increased use of criminal money laundering charges. Serbia should establish procedures for the administrative freezing of assets without delay.

## Seychelles

Seychelles is not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft and fraud as the major sources of illegal proceeds. Seychelles also has been negatively affected by piracy off the coast of Somalia.

Seychelles is a consumer country for narcotics. To diversify its economy beyond tourism and fisheries, the Government of Seychelles (GOS) developed an offshore financial sector to increase foreign exchange earnings. Seychelles actively markets itself as an offshore financial and

business center that allows the registration of nonresident business companies. These activities make the country vulnerable to money laundering. In its 2007 - 2017 strategic plan, the GOS proposes to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. The Seychelles International Business Authority, which regulates the offshore financial sector, provides training in such areas as company and trust administration, international tax planning, compliance and anti-money laundering. At the beginning of 2012, there were 100,863 registered IBCs. At the time, the Seychelles offshore sector was estimated to be generating $101 million annually.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 39 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=189

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In December 2011, the Financial Institutions Act 2004 was amended to provide for a single license for both domestic and offshore banks, and the AML Act Amendment of 2011 came into force, amending the AML Act of 2006. The amended AML Act increases the investigative powers and duties of the Financial Intelligence and Assets Recovery Unit, the Seychelles financial intelligence unit (FIU). The increase in powers and responsibilities ensures that officers of the FIU have the legal authority and empowerment to undertake in depth investigations. The AML Regulations of 2012, which essentially provide for the implementation of customer due diligence measures, were enacted in April 2012. The GOS is seeking to establish a securities exchange to further diversify its product offerings in the financial sector.

The GOS indicated the FIU has undertaken on-site examinations of reporting entities to determine compliance with the AML Act Amendment of 2011 and Prevention of Terrorism Act of 2004. The FIU has completed the on-site examinations of 69 corporate service providers, six domestic banks, two offshore banks, three money service providers, 22 *bureaux de change*, ten real estate agents, three insurance companies, one credit union and six insurance brokers. The FIU also has facilitated AML/CFT training for staff from the Attorney General's Office, the Police, Customs, Revenue Commission, the Seychelles International Business Authority, and the Central Bank.

The GOS should continue to improve the implementation of its anti-money laundering/counter-terrorist financing (AML/CFT) framework, including its analysis of STRs and the pursuit of AML/CFT investigations and prosecutions. Seychelles should continue to work with its FIU to ensure it has the training and resources needed for outreach, analysis and dissemination. The GOS should prohibit bearer shares, anonymous accounts and accounts in fictitious names, and clarify its law regarding the complete identification of beneficial owners. Additionally, it should mandate enhanced due diligence procedures when appropriate. The GOS also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as that onshore. The GOS should actively enforce its regulations. The GOS also should consider codifying the ability to freeze assets rather than issuing restraining orders, and develop a cross-border currency reporting requirement that adheres to international norms. The GOS should adequately criminalize terrorist financing.

## Sierra Leone

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, a large seaport, pervasive corruption, and porous borders make it conducive to money laundering. Sierra Leone is a potentially attractive trans-sea shipment point for illegal drugs or other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous ground borders. To date, there is little evidence that drug smuggling is a significant source of laundered money. Where money laundering occurs, it is

most often in the small-scale artisanal diamond mining industry by domestic groups and individuals rather than by transnational cartels. Transactions at most levels, money exchanges, and remittances are very informal and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to terrorist financing.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 7: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** 39,583: April 1 – September 30, 2012
***STR covered entities:*** Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/reports/mutual-evaluation/Sierra%20Leone.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On March 15, 2012, Sierra Leone's Parliament enacted the Anti-Money Laundering and Combating of Financing of Terrorism Act (AMLCFTA). The AMLCFTA provides legal and policy guidance, but enforcement of the act will be a challenge due to the limited resources of the government. Although the Government of Sierra Leone (GOSL) has made progress, the GOSL needs to take further action to ensure its anti-money laundering/combating of financing of terrorism regime complies with international standards and is effectively implemented.

According to the AMLCFTA, any person who leaves or arrives in Sierra Leone with more than 30 million leones (approximately $6,900), or equivalent, in unreported foreign currency or negotiable bearer instruments will be subject to fines. In the second half of 2012, the GOSL issued, and held a series of workshops to introduce, currency declaration forms to monitor cross-border movements of cash and other negotiable bearer instruments. The new law also addresses the freezing of criminal proceeds, the power to identify and trace tainted property, voidable transfers, and enhancement of suspicious activity information sharing.

The Bank of Sierra Leone is seeking to improve its ability to use financial forensics and intelligence to monitor PEPs and other "sensitive" people and to assist in determining suspicious transactions. The financial intelligence unit (FIU) may request and obtain information it considers relevant to an unlawful activity, money laundering activities, or terrorism financing. It has the authority to disclose any report to an institution or agency of a foreign state or an international organization if relevant to investigating or prosecuting a money laundering or terrorist financing offense. However, it lacks the capacity to monitor and regulate financial institution operations effectively. There is a low rate of compliance throughout the financial sector, particularly among the recently licensed commercial banks headquartered in Nigeria.

The Transnational Organized Crime Unit is authorized to undertake complete investigations and effect arrests, but general policing ability and understanding of the use of financial investigation and intelligence is still low. The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers in its mandate. Limited resources and lack of training hamper law enforcement efforts in all arenas, including prosecutions.

The GOSL should seek to implement the AMLCFTA, continue its efforts to counter smuggling, tighten its borders, and regulate sectors which are vulnerable to money laundering. It should fully operationalize its FIU, including by appointing a director; institute effective supervision of both designated non-financial businesses and professions and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record keeping requirements; criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act; and establish procedures and mechanisms to implement UNSCRs 1267 and 1373. The GOSL should ratify the UN Convention against Transnational Organized Crime.

## Singapore

Singapore is a major international financial and investment center as well as a major offshore financial center. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore's private banking and asset management sectors pose significant risks and make the jurisdiction a potentially attractive money laundering/terrorist financing destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorist financing in general remains a risk.

As of December 1, 2012, there were 37 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately S$1.34 trillion (approximately $1.03 trillion). As of December 2011, Singapore had at least $700 billion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of $3.98 billion, but online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

Singapore has nine free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13,557 in 2011
***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents and money changers and remitters

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 32 in 2011
***Convictions:*** 26 in 2011

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

Singapore is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Singapore has a comprehensive STR regime and applies AML/CFT requirements to a broad range of entities. Currently, there is no requirement for reporting large currency transactions, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

Singapore's legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense, and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. Singapore should more aggressively pursue domestic stand-alone money laundering offenses as well.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses, and use stand-alone money laundering charges to prosecute foreign offenders in Singapore.

## Slovak Republic

The Slovak Republic is a transit and destination country for counterfeit and smuggled goods; auto theft; value-added tax fraud; and trafficking in persons, weapons and illegal drugs. Criminal activity is characterized by a high level of domestic and foreign organized crime, mainly originating from eastern and southeastern Europe. Many of these same groups are involved in laundering funds raised from these criminal activities. Trade-based money laundering and possible terrorist financing also occur in Slovakia. Funds from public corruption are not seen as a significant component of money laundering/terrorist financing in Slovakia. Slovakia has no offshore or free trade zones. Slovak authorities see the transfer of undeclared

cash across borders as a possible money laundering vulnerability. Alternative remittance systems are not known to be widely used in Slovakia.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, foundations, non-profit organizations, non-investment funds, and other special corporations managing and distributing funds

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 3,353 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, foundations, non-profit organizations, non-investment funds, and other special corporations managing and distributing funds

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 17 in 2011
***Convictions:*** 16 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

The Slovak Republic 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:

www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The law enacting "Quasi Criminal Liability of Corporations" allows for confiscation of property and monies from corporations for actions taken by employees. However, Slovak courts have never executed the law. Legal pundits suggest the law was written in a fashion that is too difficult to implement, perhaps intentionally.

There is little evidence showing money laundering investigations are being used to prosecute organized crime, which is a significant problem. Slovakia should provide capacity-enhancing training and materials to non-financial businesses and professions and improve supervision of these entities to ensure they meet their obligations.

## Slovenia

Slovenia is not a major drug producer, but is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia (GOS) is aware that Slovenia's geographic position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counternarcotics policies. Other predicate offenses of concern include business and tax fraud.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 558 in 2012
***Number of CTRs received and time frame:*** 16,465 in 2012
***STR covered entities:*** Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, and securities dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 247 in 2012
***Convictions:*** 1 in 2012

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

Slovenia 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 can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovenia_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

There are no major deficiencies in Slovenia's key anti-money laundering/counter-terrorist financing (AML/CFT) preventive standards. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the AML/CFT regime. The GOS has systems and procedures in place to facilitate both national and international cooperation. Banks have automatic name checks and the Office of Money Laundering Prevention (OMLP) checks the names against global blacklists provided by the Central Bank.

The OMLP has a right to stop a suspicious transaction for 72 hours. In that time period, the courts investigate the transaction and decide on its legitimacy. If the courts also find the transaction suspicious, they can temporarily block funds for three months. In 2012, this happened in 20 cases.

Slovenia adheres to all Schengen border control requirements. In Slovenia, law enforcement can only confiscate funds or seize assets related to money laundering under criminal law. During 2012, the GOS temporarily seized assets equaling approximately 57 million euros (approximately $74 million).

## Solomon Islands

Solomon Islands 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. In general, the risk of money laundering and terrorism financing in the Solomon Islands is very low given the country's isolated geographic location and very small community, which precludes anonymity. Corruption continues to be the main source of illegal proceeds. Smuggling, environmental crimes, and the proliferation of counterfeit goods also are problems in the country. A 2009 risk assessment conducted by the Solomon Islands Financial Intelligence Unit (SIFIU) found that money laundering is most often associated with fraud, illegal logging and fishing, and robbery. Foreign destinations for the laundered proceeds include China, Australia, Malaysia, and Singapore. The SIFIU suspects that Asian logging vessels (particularly Malaysian) bring counterfeit currency into the Solomon Islands to finance forestry operations.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit institutions, credit unions, insurance and securities companies, casinos and bullion dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 49 in 2012
***Number of CTRs received and time frame:*** 22,707 in 2012
***STR covered entities:*** Banks, credit institutions, bullion dealers, credit unions, casinos, insurance companies and intermediaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 2 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/SOLOMON%20ISLANDS%20DAR_FINAL.pdf

***ENFOREMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Over the last four years, the Government of the Solomon Islands (GOSI) has enacted several key reforms to strengthen its anti-money laundering/counter-terrorist financing (AML/CFT) regime. The GOSI also has taken positive steps to combat corruption, including the formation of an anti-corruption task force in 2012. Yet vulnerabilities remain within the Solomon Islands' AML/CFT systems. The SIFIU lacks capacity and continues to be understaffed, and the Royal Solomon Islands Police Force lacks the training and personnel to investigate and prosecute money laundering and terrorist financing cases. There has been only one successful conviction for money laundering, and no incidents of terrorist financing. The GOSI also is not party to several

key international agreements on these topics and lacks the ability to freeze terrorist assets in accordance with UNSCRs 1267 and 1373.

On January 6, 2012, Solomon Islands became a party to the UN Convention against Corruption.

The GOSI should continue to develop its AML/CFT programs and procedures. The GOSI also should develop and implement a comprehensive system for the declaration or disclosure of the cross-border transportation of cash. Currently, a declarations system is in place only for passengers traveling by air. This system should be extended to passengers traveling by sea, and applied to postal cargo as well. The Solomon Islands should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

## Somalia

In 2012, Somalia made significant progress in recovery from its status as a failed state by completing its political transition. In September 2012, a new Parliament elected a new President, who named a Prime Minister and Cabinet. Somali National Army forces, alongside troops from the African Union Mission in Somalia (AMISOM), made significant gains against the U.S.-designated terrorist group al-Shabaab, pushing the extremist militia out of all major cities it previously held. The new government struggles with weak institutions, and the country is in the initial stages of stabilization efforts.

Somalia does not have a formal financial system, and the majority of financial entities operating in Somalia, such as money transmitters and hawaladars, are not supervised or monitored by regulatory or enforcement agencies. Smuggling is rampant. Somalia has one of the longest land borders as well as the longest coastline in Africa. Officials are unable to maintain control over most points of entry, and legitimate and illicit goods flow in and out of Somalia unchecked. Public and private sector corruption, mainly carried out by the misappropriation of public assets and national financial flows, remains a significant challenge for the new government. Allegations of corrupt practices have included Somali government officials and elite businessmen involved in systematic misappropriation, embezzlement, and theft of public revenues and foreign aid. Additionally, some government officials in Somalia's northern region of Puntland have reportedly benefitted from pirate ransoms. Somalia ranks 176 of 176 countries on Transparency International's 2012 Corruption Perception Index, although the new government is taking important steps to improve its public financial management and appears more committed to transparency than the transitional government that preceded it.

Somalia is also a center for terrorist financing. Al-Shabaab remains the most significant threat to Somalia and the region. Its insurgency against the Government of Somalia (GOS) receives financing from multiple sources, mainly from the illicit trade in charcoal from its controlled territories and from the AMISOM-controlled port of Kismaayo. Other sources of revenue include donations from non-Somali and Somali sympathizers both inside Somalia and abroad, and taxation of and extortion targeting local businesses and private citizens. Some funds enter Somalia as cash, but a portion reportedly passes through hawaladars and other money or value transfer services. There also are occasional reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas as well as reports of al-Shabaab extorting ransom payments from pirates. There

are concerns money is laundered into the country in support of al-Shabaab. Both the GOS and the United Nations have banned the import and export of charcoal from Somalia, as a means of depriving al-Shabaab of its primary source of revenue.

Although acts of piracy off the coast of Somalia have decreased significantly over the past 18 months, proceeds from ransom payments still contribute to Somalia's illicit activity. Piracy ransom payments are reportedly laundered, especially in northern Somalia, and perhaps in neighboring countries, the Middle East, or Europe. The ransoms are delivered through cash drops to pirates holding ships off Somalia's coast. They are divided among the pirates themselves, their support networks on shore, and possibly national and international sponsors. Much of the ransom reportedly remains in cash.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** Not applicable
***Are legal persons covered:*** ***criminally:*** Not applicable ***civilly:*** Not applicable

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** None

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not applicable
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** None

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Until the completion of its political transition in September 2012, Somalia was essentially without a functioning central government since 1991. While the new government is identifying priority areas for new legislation and working with the international community to enhance its institutional capacity and create regulatory bodies, existing laws – anti-money laundering/counter-terrorism financing (AML/CFT), or otherwise – are currently unenforceable.

The lack of credible AML/CFT laws, regulatory bodies, and enforcement mechanisms to counter money laundering and financial crimes, including terrorist financing, is believed to be due to a lack of capacity within the federal government, not a lack of political will. Obstacles to enacting AML/CFT laws include the federal government's limited territorial control over parts of southern and central Somalia beyond Mogadishu, threats to the government by the al-Shabaab insurgency, lack of capacity at all levels of government, and insufficient policing and investigative capacity.

Somalia essentially lacks a formal financial sector; however there has been a reported increase in the establishment of "banks" throughout Somalia, which includes two unregulated commercial banks, one operating in Somaliland and the other in Mogadishu. There are no functioning government regulatory agencies to oversee the financial sector. As such, formal financial institutions and hawaladars in Somalia are not subject to KYC or suspicious transaction reporting programs under Somali law. These entities have no credible government authority to which to report these types of transactions. There are virtually no financial record-keeping requirements enforced by the GOS. International standards, to the extent they exist, are self-imposed in Somalia by hawaladars and other financial entities that must meet international rules and regulations to do business elsewhere in the world. Money remittance companies, for example, almost all use electronic AML/CFT compliance software systems which flag names listed on the UN 1267 Sanctions Committee's consolidated list.

The legal system in Somalia is composed of traditional courts ("xeer") as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but the laws that exist are difficult to enforce given the weak capacity of judicial and law enforcement institutions and general instability.

In theory, the Ministry of Finance and Treasury would be responsible for investigating financial crimes. The ministry lacks the capacity, including financial, technical, and human resources, to investigate money laundering and terror financing. There are no government entities charged with, or capable of, tracking, seizing, or freezing illegal assets. Somalia has no modern laws requiring forfeiture of terrorist or laundered assets, and laws that may lend themselves to AML/CFT are not being enforced. The GOS has called on regional governments to help stem the flow of terrorist financing, including requesting local governments to trace, freeze, and seize al-Shabaab financing.

The Ministry of Finance and Treasury, and the wider government, still struggle to combat internal corruption and the embezzlement of public funds. While government corruption was rampant in the previous transitional administration, the new government has taken steps to combat corruption, including public declarations against corruption. The GOS has already increased transparency in government revenues, requiring that donations to the government be

deposited directly to the Central Bank of Somalia. The new constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector. Somalia has not yet established the Commission.

The GOS has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, piracy, and terrorist acts committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information with other countries related to financial crimes, money laundering, and terrorist financing but has said it welcomes collaboration.

Somalia should continue taking steps to combat corruption and cooperate internationally, and begin to give itself the legal authorities to combat money laundering and terrorist financing domestically, including by criminalizing both. The GOS should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget and training – to investigate and prosecute financial crimes. The GOS also should pursue membership in a FSRB.

## South Africa

South Africa's position as the major financial center in the region, its sophisticated banking and financial sector, and its large, cash-based market make it vulnerable to exploitation by transnational and domestic crime syndicates. The largest source of laundered funds in the country is proceeds from the narcotics trade. Fraud (advance fee scams, beneficiary maintenance fraud, and deposit refund scams), theft, racketeering, corruption, currency speculation, credit card skimming, poaching, theft of precious metals and minerals, human trafficking, stolen cars, and smuggling of goods are also sources of laundered funds. Many criminal organizations also are involved in legitimate business operations. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean, and Indian drug traffickers; Chinese triads; Taiwanese groups; Bulgarian credit card skimmers; Lebanese trading syndicates; and the Russian mafia. Analysis indicates that foreign nationals are using South African nationals, mostly women, to help them send money gained from illegal activities to foreign countries. Investment clubs, known as stokvels, have been used as cover for pyramid schemes. In some instances, nominee structures have been exploited by criminals who intend to launder illicit funds by mixing them with legitimate assets held on someone else's behalf. There is a significant black market for smuggled and stolen goods.

South Africa is not an offshore financial center, nor does it have free trade zones. South Africa does operate Industrial Development Zones (IDZs). Imports and exports related to manufacturing or processing in the zones are duty free, provided the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, and Johannesburg International Airport. The South African Revenue Service monitors the customs control of these zones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, and money lenders

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 53,506: April 1, 2011 - March 31, 2012
***Number of CTRs received and time frame:*** 5.5 million: April 1, 2011 - March 31, 2012
***STR covered entities:*** Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, and money lenders

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

South Africa is a member of the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/60/15/42432085.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of South Africa's (GOSA) anti-money laundering/counter-terrorist financing (AML/CFT) regime has a solid legal and regulatory framework. The Financial Intelligence Centre (FIC), South Africa's financial intelligence unit (FIU), is working to enhance its effectiveness by providing high-quality, timely and actionable financial intelligence rather than larger volumes of lower-quality intelligence. During the year, FIC honed its analysis to identify geographic and other patterns associated with crimes such as tax evasion and narcotics trade. During 2011/12, the FIC evaluated about 15,000 suspicious transaction reports (STRs) and 4 million electronic funds transfers, and froze 482 bank accounts. FIC's work played an integral role in several prosecutions for rhino poaching and organized crime, including armed robbery.

The FIC established an internal sanctions communications response committee and dedicated a portion of its website to these issues. During the year, the FIC signed memoranda of understanding with the FIUs of Singapore, Albania, Angola, Botswana, Mali, Canada, Ghana, Lesotho, and Tanzania.

While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge in conjunction with other offenses. Accordingly, the GOSA does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

The GOSA has been working to improve its AML/CFT regime. Its focus on the risk-based approach (RBA) is designed to target high-impact cases involving large amounts of money and greater numbers of people. South Africa should continue to implement its initiatives on financial inclusion, its application of the RBA, and enhancing the FIC. The GOSA also should work to improve its law enforcement and prosecutorial capacity and ensure its relevant AML/CFT authorities keep statistics, as required by international standards.

## South Sudan

On July 9, 2011, the Republic of South Sudan became the world's 193rd country. South Sudan borders a number of jurisdictions in various states of conflict or lacking strong authorities. While the Government of South Sudan (GOSS) has developed in many areas, much remains to be accomplished in this fledgling state. South Sudan is not a major financial center, and as such, there is little major financial crime; however, corruption is widespread in this oil rich state. The GOSS does not yet have significant laws, regulations, or enforcement capacity in place to address financial crimes. South Sudan has a cash-based economy. With no anti-money laundering/counter-terrorist financing (AML/CFT) regime, and its large and porous borders, South Sudan is vulnerable to exploitation by criminals of every type, including those seeking illicit routes to transport money via bulk cash smuggling and those wishing to perpetrate other forms of financial crime.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO

***KYC covered entities:*** Financial institutions; cash dealers; accountants; dealers in precious stones or metals; regulators; customs officers; attorneys, notaries and other independent legal professionals; and real estate agents

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Financial institutions; cash dealers; accountants, real estate agents, and dealers in precious stones or metals; regulators; customs officers; attorneys, notaries and other independent legal professionals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

South Sudan is not a member of a Financial Action Task Force-style regional body. It has not undergone a mutual evaluation.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In March, 2012 the GOSS criminalized money laundering. No enabling regulations or steps towards implementation have been put in place. The GOSS is working to address capacity issues generally and has embarked upon anticorruption initiatives, but money laundering and terrorist financing have only recently been part of South Sudan's current agenda. Despite taking steps to criminalize money laundering, no law enforcement mechanisms exist to combat financial crimes in general. A segment of the South Sudanese security forces has been tentatively identified to work on financial crimes but lacks staff and has had little training in financial investigations and law enforcement procedures. The Judiciary is significantly understaffed, and is in the process of preparing to adopt a common law system. There are no courts or prosecutors currently assigned to work on financial crimes.

The Bank of South Sudan may adopt a new circular requiring all financial institutions to regularly submit information on domestic and foreign exchange transactions over a threshold amount. However, it has not been determined whether such a circular is enforceable, or who would have the necessary tools to enforce it.

## Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe from Central and South America and North Africa, although the serious focus of Spanish law enforcement on combating organized crime, drug trafficking,

and money laundering during the past five years has reduced the country's attractiveness as an entry point.

Money laundering is related to drug trafficking and organized crime, as well as financial support for terrorism and for tax evasion purposes. Proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector. Access in Spain to European financial institutions allows for the introduction of illicit funds into the global financial system with diminished scrutiny.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement cites an emerging trend in drugs and drug proceeds entering Spain from new European Union (EU) member states with less robust law enforcement capabilities.

Tax evasion in internal markets also continues to be a source of illicit funds in Spain. In a recent operation targeting a group of Chinese businesses, Spanish law enforcement discovered the systematic falsification of invoices for goods entering Spain, the sale of the goods, and an elaborate money laundering network that was used to repatriate the illicit proceeds back to the People's Republic of China. The Spanish authorities estimated that the total amount of money laundered, and therefore associated tax revenue lost, was in the hundreds of millions of euros.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally***: YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2,975 in 2011
***Number of CTRs received and time frame:*** 644,006 in 2011
***STR covered entities:*** Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Spain is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/59/15/46253063.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Spain has long combated both domestic and foreign terrorist organizations and Spanish law enforcement entities have identified various vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for the purposes of propaganda, fraudulent tax and financial assistance collections; the establishment of "cultural associations"; and alternative remittance system transfers. 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 Muslim community.

In April 2010, Spain enacted a law to prevent money laundering and terrorist financing. The law introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals. Additionally, the law greatly enhances authorities' capacity to combat terrorist financing by placing greater requirements on financial institutions and other businesses, and by strengthening penalties and monitoring and oversight. The law entered into force immediately; however, implementing regulations will not be approved until 2013. Until then, many of its provisions are not being implemented. In the interim, the implementing regulations for an earlier 2005 law remain in force. Spain should implement the provisions of the new law.

Spanish law does not allow civil forfeiture. Carrying more than 100,000 euros (approximately $131,700) in cash within the country is not allowed. If the authorities discover an amount larger than that, they can seize and hold it until proof of legal origin is provided.

The Spanish government has increased its efforts to combat fraud and tackle Spain's large underground economy. An anti-fraud law, which entered into effect on October 31, 2012, restricts cash transactions between businesses and professionals to less than 2,500 euros (approximately $3,300). Failure to comply with the new norm can result in an administrative fine equivalent to 25 percent of the total value of the payment. The limit for cash transactions for non-resident individuals is €15,000 (approximately $19,950), to allow for tourists' expenditures. The anti-fraud law also establishes a new obligation to report on foreign assets and expands the liability of successor corporations, among other measures.

In 2010, the Financial Crimes Enforcement Network (FinCEN), the financial intelligence unit of the U.S., suspended information sharing with its Spanish counterpart, the Executive Service for the Prevention of Money Laundering (SEPBLAC) due to an unauthorized disclosure of FinCEN information by Spanish authorities. SEPBLAC has addressed the improper disclosure issues and has taken steps to ensure the protection of FinCEN's information, including negotiating an updated version of a memorandum of understanding (MOU) with FinCEN. FinCEN will resume information exchange with SEPBLAC after signing the MOU. The security forces and the judiciary exchange information with the U.S. related to money laundering.

A working group has been created within the Commission for the Prevention of Money Laundering to promote the collection of statistics. Spain currently does not track the total number of prosecutions and convictions for money laundering. When money laundering occurs in conjunction with a predicate offense, only the predicate offense is tracked in a central statistics database. The numbers tracked for money laundering crimes only include those cases in which the conviction was for money laundering alone, without another offense. Spain should maintain and disseminate statistics on investigations and prosecutions.

## Sri Lanka

Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. However, the lack of transparent tender mechanisms in government projects, past experience with terrorism, tax evasion, and a large informal economy make the country vulnerable to money laundering and terrorist finance. Sri Lanka is very aware of terrorism financing issues, since there were vast inflows of financing from abroad to the Liberation Tigers of Tamil Eelam (LTTE) in Sri Lanka during the conflict from 1983 to 2009. The United States has designated the LTTE as a Foreign Terrorist Organization.

The Financial Action Task Force (FATF) included Sri Lanka in its October 19, 2012 Public Statement because of continuing deficiencies in Sri Lanka's anti-money laundering/counter-terrorist financing (AML/CFT) regime.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, and trusts or company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 539 in 2011
***Number of CTRs received and time frame:*** 3.4 million in 2011
***STR covered entities:*** Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, and trusts or company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2011
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Sri Lanka 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/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Sri Lanka amended the Prevention of Money Laundering Act and the Convention on the Suppression of Terrorist Financing Act in September 2011. The main objective was to strengthen the respective legal regimes. In late 2012 Sri Lanka proposed further amendments to Convention on the Suppression of Terrorist Financing Act to address the freezing of terrorist assets.

Although AML/CFT laws cover designated non-financial businesses and professions, no regulator has issued KYC or currency reporting policies covering these entities. They are not required to maintain customer information or report suspicious activity. Politically exposed persons (PEPs) are addressed in customer due diligence regulations published in March 2011.

The financial intelligence unit functions as a department of the Central Bank of Sri Lanka.

## St. Kitts and Nevis

St. Kitts and Nevis (SKN) is a federation composed of two islands in the Eastern Caribbean. As a federation, the anti-money laundering/counter-terrorist financing (AML/CFT) and offshore legislation covers both St. Kitts and Nevis; however, each island has the authority to organize its own financial structure. With most of the offshore financial activity concentrated in Nevis, it has independently developed its own offshore legislation.

The federation is at major risk for corruption and money laundering due to the high volume of narcotics trafficking activity through and around the islands, and the presence of known traffickers. The growth of its offshore sector, with unusually strong secrecy laws, and an inadequately regulated economic citizenship program further contribute to the federation's money laundering vulnerabilities.

SKN's monetary authority is the Eastern Caribbean Central Bank (ECCB), and the SKN's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. The existence of the common currency may raise the risk of money laundering; however, there is little evidence the EC dollar is a primary vehicle for money laundering. The ECCB has direct responsibility for regulating and supervising the entire domestic sector of SKN and the offshore banks in Nevis, and for making recommendations regarding approval of offshore banking licenses. By law, all offshore banks are required to have a physical presence in the federation; shell banks are not permitted.

There is limited information on the scale of the financial services, but 2010 numbers may be illustrative: St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies and over 2,100 companies and foundations. By contrast, Nevis had over 11,000 international business companies (IBC), 4,200 limited liability companies, over 1,000 trusts and over 110 insurance companies. Nevis can form an IBC in less than 24 hours, and bearer shares are allowed though "discouraged." Internet gaming entities must apply for a license as an IBC.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Money brokers, exchanges, and lenders; charities and other non-profit organizations; pawnshops, jewelers and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 66: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Money brokers, exchanges, and lenders; charities and other non-profit organizations; pawnshops, jewelers and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

SKN 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: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=335&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, a number of amendments were made to SKN's legislation to strengthen the overall AML/CFT regime. Included are amendments to the Proceeds of Crime Act that provide for threshold reporting in the gaming and betting industries and for dealers in precious metals and stones. In addition, there is now a list of activities that warrant reporting by lawyers, accountants and other professionals who engage in certain activities for clients. An amendment to the Anti-Terrorism Act brought penalties more in line with best practices. The amendment also addresses forfeiture proceedings. Law enforcement appears competent; however, there are no guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance.

SKN's legislation includes provisions for civil sanctions; however, they are inconsistent and do not apply to all relevant financial sectors. The Government of St. Kitts and Nevis (GOSKN) should ensure all relevant entities covered under the AML/CFT laws and regulations are subject to sanctions that are proportionate and dissuasive.

Bearer shares are permitted provided the bearer share certificates are retained in the safe custody of persons or financial institutions authorized by the Minister of Finance. Legislation requires certain identifying information be maintained on bearer certificates, including the name and address of the bearer as well as the certificate's beneficial owner. All authorized custodians are required by law to obtain proper documents on shareholders or beneficial owners before incorporating exempt or other offshore companies. This information is not publicly available, but is available to the regulator and other authorized persons.

The Ministry of Finance oversees SKN's Citizenship by Investment Program. An individual may qualify for citizenship with a $350,000 minimum investment in real estate. In addition, the GOSKN created the Sugar Industry Diversification Foundation, after the closure of the federation's sugar industry, as a special project approved for the purposes of citizenship by investment. To be eligible, an applicant must make a contribution ranging from $200,000 to $400,000 (based on the number of the applicant's dependents). The GOSKN requires applicants to make a source of funds declaration and provide evidence supporting the declaration. According to the GOSKN, the Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process.

The secrecy laws, the allowance of anonymous accounts, the lack of transparency of beneficial ownership of legal entities, and the uncertain regulatory framework concerning customer due diligence make Nevis, in particular, a haven for criminals to conceal proceeds. The GOSKN should work toward reducing these vulnerabilities. St. Kitts and Nevis also should determine more precisely the exact number of Internet gaming companies present on the islands and provide the necessary oversight of these entities. The GOSKN should provide for close supervision of its economic citizenship programs or else consider discontinuing them.

## St. Lucia

Organized crime-linked drug violence continues to plague St. Lucia. Money laundering in St. Lucia is primarily related to proceeds from illegal narcotics trafficking, and, to some extent, to proceeds from financial and commercial crimes. Government officials suspect criminal proceeds laundered in the jurisdiction derive from both domestic and foreign criminal activity and that the proceeds are controlled by drug trafficking organizations and organized criminals who operate both locally and abroad.

A significant black market exists for smuggled goods in St. Lucia, mostly gold, silver and other jewelry, predominantly smuggled in from Guyana. There is an ongoing leakage of revenue and a black market of high-quality jewelry being purchased from duty free establishments in St. Lucia by both local and foreign consumers.

There is a free trade zone where investors can establish businesses and conduct trade and commerce outside of the National Customs territory. Activities may be conducted entirely within the zone or between the St. Lucia free zone and foreign countries. It is suspected that financial institutions unwittingly engage in currency transactions involving international narcotics trafficking proceeds.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, travelers' checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 87 in 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, travelers' checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** None
***Convictions:*** None

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

St. Lucia 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: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=334&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Cooperation has increased between the Royal St. Lucia Police Force and the Financial Investigations Authority (FIA), and there is a robust approach to cash seizures and forfeitures. Since enactment of the Proceeds of Crime (Amendment) Act, May 2011, ten cash forfeiture matters have been filed in the High Court, two were successfully prosecuted and the additional eight are still pending. There are many early-stage cash seizure cases pending due to a general lack of understanding of the cash seizure/forfeiture process among the police and courts. The Government of St. Lucia should improve investigative capacity within the police and courts to prosecute cash seizure and forfeitures cases expeditiously and successfully.

On a daily basis, the Customs and Excise Department is confronted by false declarations, false invoicing and fraudulent evasion of duties and taxes on goods, including excess goods. Monies suspected to be derived from drug trafficking and other illicit enterprises are filtered into and washed through trading firms. Trade-based money laundering is evident in St. Lucia. Law enforcement and customs authorities should be given training on how to recognize and combat trade-based value transfer, which could be indicative of both customs fraud and money laundering.

## St. Maarten

Sint Maarten (St. Maarten) is an autonomous entity within the Kingdom of the Netherlands (KON). St. Maarten enjoys sovereignty on most internal matters and defers to the KON in matters of defense, foreign policy, final judicial review, human rights, and good governance.

Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity of other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. There are 14 casinos on the island and online gaming is legal and subject to supervision.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, law offices, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, law offices, insurance companies, casinos, Customs, money remitters, Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its first mutual evaluation was recently completed. Once published, it will be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of St. Maarten's (GOSM) anti-money laundering/counter-terrorist financing (AML/CFT) regime needs improvements in regard to KYC rules, STR collection, criminalizing terrorist financing in line with international standards, and general enhancement of AML/CFT

supervision in all sectors. Additionally, shortcomings are noted within the financial intelligence unit (FIU).

Under the former Netherlands Antilles jurisdiction, most governmental organizations were based in Curacao. Following the dissolution of the Netherlands Antilles in 2010, St. Maarten created its own FIU under the Ministry of Justice. The FIU has signed memoranda of understanding for information exchange with several countries and is pursuing membership in the Egmont Group of FIUs.

While St. Maarten and Curacao have a joint Central Bank, St. Maarten has established a Tax Office Criminal Investigation Unit and a Financial Investigation Department.

The GOSM is amending legislation to provide for AML monitoring of casinos, and is pursuing money laundering investigations and prosecutions. In 2012, the GOSM conducted a major money laundering investigation, and in August, $687,000 was seized from suspected launderers. Two additional criminals were prosecuted for smuggling $15,000 into the country in September 2012.

The Mutual Legal Assistance Treaty between the KON and the United States extends to St. Maarten. As part of the KON, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the KON may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten in 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

## St. Vincent and the Grenadines

St. Vincent and the Grenadines (SVG) is a small but active offshore financial center with a relatively large number of international business companies (IBCs). As a result of drug trafficking and its offshore financial sector, the country remains vulnerable to money laundering and other financial crimes. Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from within the Caribbean region. Money laundering occurs in various financial institutions such as domestic and offshore banks and through money remitters.

In some instances, United States currency was smuggled into the jurisdiction using couriers, go-fast vessels and yachts. In several cases, these monies were intercepted; the operations generating the illicit proceeds had regional origins, including Venezuela, Bermuda, and the U.S. Virgin Islands.

Per 2012 data, the offshore sector includes five offshore banks, 7,735 IBCs, 557 continued IBCs, five offshore insurance companies, 127 mutual funds (fund managers and administrators), 17 registered agents, and 125 international trusts. There are no offshore casinos and no Internet gaming licenses. No physical presence is required for offshore sector entities and businesses,

with the exception of offshore banks. The regulatory body with the mandate to supervise the offshore financial sector is the International Financial Services Authority. Nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs, but not for banks. The Government of St. Vincent and the Grenadines (GOSVG) requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. There are no free trade zones in SVG.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gambling, pool betting, and lottery agents; lawyers and accountants; and charities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 413: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gambling, pool betting, and lottery agents; lawyers and accountants; and charities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 5 in 2012
***Convictions:*** 2 in 2012

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

SVG 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: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=333&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, two people were convicted of money laundering offenses under the Proceeds of Crime and Money Laundering Prevention Act (PCMLPA). The case involved the cash seizure of $1,733,463. The cash was found concealed in the cabins of a yacht that was the subject of a controlled delivery between Bermuda and SVG.

Various amendments were made to the PCMLPA, including strengthening STR reporting, prohibiting tipping off, and criminalizing self-laundering.

The GOSVG should become a party to the UN Convention against Corruption. It should also adopt a provision to provide financial institutions and their employees who file STRs in good faith with a safe harbor against civil or criminal liability.

## Sudan

Sudan has been designated a State Sponsor of Terrorism by the United States. Sudan currently has limited access to international financial markets and institutions because of comprehensive U.S. economic sanctions. Traders and other legitimate business persons often carry large sums of cash because Sudan is largely a cash-based society and electronic transfer of money outside of Sudan is challenging. This dependence on large amounts of cash complicates enforcement efforts and makes Sudan's banking system vulnerable to money laundering. Comprehensive sanctions also contribute to a significant black market for smuggled goods, making Sudan vulnerable to trade-based money laundering.

Public corruption is believed to be widespread; however, the extent it contributes to money laundering is unknown.

Sudan has two free trade zones and a preliminary agreement with China for another. There are no known money laundering or terrorist financing activities through these zones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13: January 1 - November 8, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/TopicList.asp?cType=train

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Sudan's links with international terrorist organizations contributed to Sudan's 1993 designation as a State Sponsor of Terrorism. In November 1997, the U.S. imposed comprehensive economic, trade, and financial sanctions against Sudan.

The Government of Sudan (GOS) asserts that it is continuing to bolster its efforts to combat money laundering and other financial crimes. The Central Bank of Sudan (CBOS) and the Financial Intelligence Unit (FIU), an independent entity within the CBOS, make periodic field inspections of commercial banks and other financial institutions through the compliance officers' network. The CBOS and FIU continue to concentrate on implementation of the Money Laundering and Terrorism Financing Act (MLFTA) of 2010. It is not clear whether all of the

implementing regulations for MLFTA are enforceable. The GOS has limited investigative capacity, and enforcement can be subject to political pressures, with many government officials involved in business.

After a referendum led to the secession of South Sudan in 2011, Sudan and South Sudan signed a series of cooperation agreements in September 2012 that include agreements on banking and trade; these agreements have yet to be implemented. Because of the lack of an exchange policy with South Sudan, large volumes of cash transactions, usually employing a third currency, are commonplace and have overwhelmed attempts to police the nature of the dealings. Credit card transactions often are not possible due to the U.S. sanctions regime; this is another reason for large cash transactions.

Sudan should continue to work on implementing its action plan to address noted deficiencies, including by implementing adequate procedures for identifying and freezing terrorist assets, ensuring a fully operational and effectively functioning FIU, and ensuring an effective supervisory program for anti-money laundering/counter-terrorist financing compliance.

Sudan is ranked 173 of 176 countries on Transparency International's 2012 Corruption Perception Index. Sudan should become a party to the UN Convention against Corruption; at this time there are no indications that Sudan is considering joining the convention. Going forward, Sudan must focus on full implementation of the money laundering law, and on establishing and empowering effective enforcement institutions, particularly the FIU. With active rebellions in a large part of the country; multiple internal conflicts, both within and without the ruling party; strained relations with the new Republic of South Sudan; and a deteriorating economy, Sudan is not expected to give money laundering investigations or prosecutions a high priority.

## Suriname

Money laundering in Suriname is closely linked to transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. Both domestic and international drug trafficking organizations are believed to control most of the laundered proceeds, which are primarily invested locally in casinos, real estate, foreign exchange companies, the construction sector, and car dealerships. Public corruption also may contribute to money laundering, though the full extent is unknown. There is a thriving informal sector fueled by the large profits from growing small-scale gold mining and the industries that support it. Much of the money within this sector does not pass through formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm for financial transactions. Goods, from agricultural products to fuel and medicine, are smuggled into the country via Guyana and French Guiana and are sold below the normal price for similar goods imported legally. Other goods are smuggled into the country mainly to avoid paying higher import duties. There is little evidence to suggest this activity is significantly funded by narcotics or other illicit proceeds. Contraband smuggling is not thought to generate funds that are laundered through the financial system.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit unions, and financial asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, lawyers, notaries, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Suriname is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_content&view=category&layout=blog&id=375&Itemid=560&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Suriname (GOS) has a legal framework in place to combat money laundering; however, enforcement remains weak and inconsistent. Inadequate training, government corruption, and an overall lack of resources significantly diminish the government's investigative and prosecutorial abilities, as local institutions and personnel lack the capacity to

fully enforce the law and its attendant regulations. Additionally, a lack of political will prevents aggressive enforcement. The police's Financial Investigative Unit opened 20 investigations in 2012; however, there is no information available on the number of prosecutions or convictions.

Surinamese authorities should move quickly to fully implement customer identification requirements (especially for politically exposed persons) and unusual transaction reporting procedures. The GOS should ensure covered entities are subject to adequate supervision and enforcement programs. Additional efforts also need to be made to ensure border enforcement. Customs and appropriate law enforcement need to investigate trade fraud and illicit value transfer. The GOS should become party to the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

## Swaziland

The Kingdom of Swaziland is not considered a regional financial center. The financial sector in the Kingdom is small and dominated by subsidiaries of South African financial institutions. The small size of the country as well its proximity to major cities in Mozambique and South Africa make it a transit country for illegal operations in those countries and, to some extent, in the rest of the Southern African region. Proceeds from the sale or trade in marijuana may be laundered in Swaziland. Cash gained from the sale of marijuana and other illegal activities may be used to buy goods for retail outlets and to build houses on non-titled land. A large amount of proceeds involve cross-border transactions through banks, casinos, investment companies, and savings and credit cooperatives.

The Common Monetary Area provides a free flow of funds among South Africa, Swaziland, Lesotho, and Namibia with no exchange controls. Cash smuggling reports are shared on the basis of reciprocity between host government agencies on an informal basis.

There is a significant black market for smuggled goods such as cigarettes, liquor, pirated radio cassettes, videocassettes, and DVDs transited among Mozambique, South Africa and Swaziland. There is a general belief that trade-based money laundering exists in Swaziland. Proceeds generated through corruption are a major concern, as is human trafficking. Swazi officials believe the Kingdom to be at little risk of terrorist financing**.**

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, securities firms, real estate brokers, cooperatives, provident fund managers, insurance brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 30 in 2012
***Number of CTRs received and time frame:*** 0 in 2012
***STR covered entities:*** Banks, insurance companies, fund managers, and pension funds

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/Detailed-MER-for-the-Kingdom-of-Swaziland(1).pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During the last few years Swaziland has taken several steps to establish an anti-money laundering/counter-terrorist financing (AML/CFT) regime. The Money Laundering and Financing of Terrorism (Prevention) Act which, among other things, provides for the establishment of a financial intelligence unit (FIU) and seeks to forge closer national cooperation and coordination among government institutions involved with AML/CFT activities, came into force in early 2012. The new law also provides for the establishment of an anti-money laundering task force. The FIU is not yet fully operational.

Swaziland has successfully prosecuted one money laundering case. The Royal Swaziland Police Service (RSPS) and the Kingdom's Anti-Corruption Commission (ACC) are the two main law enforcement agencies mandated to investigate money laundering offenses. In 2012, the Swaziland Revenue Authority (SRA) was officially made a law enforcement agency and will henceforth be involved in the investigation and reporting of financial crime. The RSPS is charged with investigating terrorist financing offenses. According to officials, RSPS officers require additional training and capacity to be adequately prepared to investigate both money laundering and terrorist financing offenses. The Government of the Kingdom of Swaziland should take steps to improve the capacity of, and coordination among, the RSPS, the ACC, the FIU, and the SRA.

## Sweden

While Sweden is not a regional financial center, suspicious proceeds increased from 2010 to 2011. According to statistics from the Swedish Financial Police, suspected money laundering transactions totaled $2.3 billion in 2011 compared to $1.2 billion in 2010.

Money laundering in Sweden occurs either through individuals who use the financial system to turn over illicit funds, or with the help of corporations that use financial system services. Money laundering is further facilitated by criminals having contacts or acquaintances within, or influence over, corporations and actors within the financial system. Laundered money emanates from sales of narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in large urban regions, such as Stockholm, and is frequently conducted over the internet, utilizing international money transfer services, gaming sites, and narcotics and illicit chemical vending sites. Suspicious transaction reports (STRs) generally do not reference organized crime, although it is a growing concern. Public corruption is not an issue in Sweden.

Sweden does not have an offshore financial center. Sweden provides no offshore banking, and does not readily attract foreign criminal proceeds as it does not have especially favorable banking regulations. There is not a significant market for smuggled goods in Sweden; however, the Swedish police consider the smuggling of bulk cash to be a problem. Sweden is a member of the European Union (EU), and money moves freely within the EU. Sweden has foreign trade zones (FTZs) with bonded warehouses in the ports of Stockholm, Göteborg, Malmö, and Jönköping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a FTZ. The same tax and labor laws apply to FTZs as to other workplaces in Sweden.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks; insurance companies; securities firms; currency exchange houses, providers of electronic money, and money transfer companies; accounting firms; law firms and tax counselors; casinos, gaming entities, and lottery ticket sales outlets; dealers of vehicles, art, antiques and jewelry; and real estate brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 11,461 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Accountants; tax advisors; lawyers; real estate agents; casinos; banks; life insurance companies and insurance brokers; securities and fund companies; issuers of electronic money; and high value goods dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Sweden is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70765_43383847_1_1,00.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Swedish legislation dealing with money laundering exists in the Penal Code and the Money Laundering Act (MLA). In practice, predicate crimes are prosecuted, but not money laundering itself. Most often, money laundering is prosecuted as tax evasion if no other direct connection to crime is found. Many money laundering incidents involve self laundering, wherein a person tries to launder his own ill-gotten gains. Self laundering is not criminalized in the Penal Code, even though it is defined as money laundering within the MLA. Rather than establishing criminal regulations, the MLA defines what is considered suspicious and should be reported to the financial intelligence unit.

The Swedish financial authority, Finansinspektionen, oversees compliance with current reporting regulations. It has the power to fine institutions and issue warnings, as well as to revoke licenses. Swedish authorities believe the most popular destinations for money leaving Sweden are Ghana, Nigeria, the UK, and Iran; however, the largest transfers have gone to the United Arab Emirates. Money has most frequently entered Sweden from Ghana, Iran, the UK, and Nigeria.

## Switzerland

Switzerland is a major international financial center. The country's central geographic location, relative political, social, and monetary stability, the range and sophistication of financial services it provides, and its long tradition of bank secrecy not only contribute to Switzerland's success as a major international financial center, but also continue to expose Switzerland to potential money laundering abuse.

Media reports indicate criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not

limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorist financing and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America and West Africa, dominate the narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (highest authority of the executive branch) that needs to be renewed every 20 years. While generally well regulated, there are concerns bout the use of casinos to launder money. One possible method involves the structuring of cash purchases of casino chips or tokens to avoid reporting requirements and subsequently redeeming the chips for checks drawn on, or wire transfers from, casino bank accounts. Corrupt casino employees also have facilitated drug money laundering activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; investment companies; insurance companies; casinos; financial intermediaries; wealth managers and investment advisors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,625 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; casinos; financial intermediaries; wealth managers and investment advisors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 290 in 2011
***Convictions:*** 219 in 2010

***RECORDS EXCHANGE MECHANISM:***

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

Switzerland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/53/52/43959966.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

From 2010 to 2011, the number of suspicious activity reports increased by 40 percent to 1,625, encompassing a total of CHF 3.3 billion (approximately $3.4 billion), compared to CHF 850 million (approximately $962 million) in 2010. In 2011, ten reports were related to terrorism finance, amounting to CHF 152,000 (approximately $160,000).

There is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. The authorities should work to regulate these sectors.

Sports associations like the International Federation of Association Football or the International Olympic Committee are not businesses but associations. They do not pay taxes, and as associations, are exempted from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change these laws.

Since 2009, persons physically transferring money worth more than $10,600 into or out of Switzerland need to declare this cash and have to be able to specify to the authorities its origins, its destination, and its owner.

## Syria

Syria is not an important regional or offshore financial center. Prior to widespread civil unrest beginning in 2011, only 20% of Syria's population used formal banking services, although private-sector banks' market penetration was growing rapidly. However, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services were used considerably less in 2012. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

A lack of necessary legislation and poor enforcement of existing laws contribute to significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors. Estimates of the volume of business Syrian money changers conduct in the black market range between $15 and $70 million per day. Syria's borders are porous, and regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism.

The United States has designated Syria as a State Sponsor of Terrorism. In addition, in March 2011, the Syrian regime began a violent crackdown against protestors, which included widespread human rights violations. As a result, the United States, the European Union, Arab

League and individual nations imposed sanctions against individuals, entities, and corporations assisting the regime's crackdown. Since April 29, 2011, the United States has undertaken sanctions on individuals enacted through Executive Orders 13572, 13573, 13582, 13606, and 13608. Several subsequent rounds of sanctions have continued and have targeted the Commercial Bank of Syria, the Real Estate Bank, Syrian-Lebanese Commercial Bank, Central Bank of Syria, Syrian International Islamic Bank, and U.S. dealings with the Syrian petroleum industry.

In May 2004, the U.S. Department of Treasury found the Commercial Bank of Syria (CBS), along with its subsidiary, the Syrian Lebanese Commercial Bank, to be a financial institution of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rulemaking, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its Syrian Lebanese Commercial Bank subsidiary.

After suspending Syria's membership on November 12, 2011, the Arab League approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Financial Action Task Force (FATF) included Syria in its October 19, 2012 Public Statement for its failure to adequately implement its action plan to address noted anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies. Syria needs to implement procedures for identifying and freezing terrorist assets and ensure appropriate laws and procedures are in place to provide mutual legal assistance.

There are eight public free trade zones (FTZs) in Syria. Iran had announced plans to build FTZs in Syria; however, it later dropped this idea in favor of pursuing a free trade agreement. China's free zone in Adra was officially inaugurated in July 2008; 13 businesses have been established in Adra to date. The volume of goods entering the FTZs is estimated to be in the billions of dollars and is growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification, or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act and a number of United Nations Security Council Resolutions.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 144: January 1 – November 30, 2010
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Money changers remain largely unregulated. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security

services, while other smuggling attempts to evade the regime's crackdown on protesters. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs has started to enact some limited reforms, including the computerization of border outposts to interface with other government agencies, problems of information sharing remain.

Most Syrian judges are not yet familiar with the evidentiary requirements of the anti-money laundering law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementation of existing AML/CFT regulations.

While the Government of Syria (GOS) has made modest progress in implementing AML/CFT regulations that govern the formal financial sector, the continuing lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the underground economy will continue to be vulnerable to money launderers and terrorist financiers. Syria is ranked 144 of 176 countries on Transparency International's 2012 Corruption Perception Index. To build confidence in Syria's intentions, the Central Bank should be granted independence and supervisory authority over the entire financial sector. Additionally, the GOS should enact its draft AML/CFT law to address many of the remaining deficiencies. Upon enactment of the law, the GOS will need to work actively to effectively implement its provisions through appropriate regulation and other related action. The GOS should become a party to the UN Convention against Corruption.

## Taiwan

Taiwan is a regional financial center. Its modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is only allowed in limited parts of Taiwan's territory but the extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduces the demand for unofficial remittance systems. However, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated and possibly organized crime-linked non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector which are regulated by Taiwan's Central Bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combined approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, trust and investment corporations, credit co-operative associations, credit departments of Farmers' Associations and the Fishermen's Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and retail jewelry businesses

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5,257: January to October 2012
***Number of CTRs received and time frame:*** 3,098,660: January to October 2012
***STR covered entities:*** Banks, trust and investment corporations, credit co-operative associations, credit departments of Farmers' Associations and the Fishermen's Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and retail jewelry businesses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 13: January to October 2012
***Convictions:*** 10: January to October 2012

***RECORDS EXCHANGE MECHANISM:***

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

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Taiwan continues to strengthen its anti-money laundering/counter-terrorist financing (AML/CFT) regime, but is not in full compliance with international standards on combating terrorist financing. While Taiwan criminalized the financing of terrorist activities, it is not an autonomous offense and does not specifically cover the financing and support of terrorist activities overseas. Taiwan should pass legislation to criminalize terrorism and terrorist

financing as an autonomous crime, and clarify that the law covers such activities overseas. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type.

New regulations regarding the reporting of transactions by jewelry stores came into force in January 2012, with stricter reporting requirements and a lower reporting threshold for transactions. Violations of these reporting requirements will be subject to penalties under Taiwan's money laundering law. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. It is too early to evaluate the effectiveness of the new rules in discouraging illegal remittance via jewelry shops.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering/terrorist financing activity. Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing and should exert more authority over this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance centers such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify UN conventions because of long-standing political issues. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

## Tajikistan

Criminal proceeds laundered in Tajikistan derive from both foreign and domestic criminal activities and are believed to be related to the large amounts of opium and heroin trafficked from Afghanistan to Russia via Tajikistan. Money laundering proceeds are primarily controlled by high level drug trafficking networks, with some smaller actors involved. While there is a market for smuggled goods, there is little evidence most items are financed with narcotics money, with the exception of imported cars and other luxury items.

It is believed corruption in some government bodies facilitates the drug trade and associated money laundering. Some money laundering takes place in the formal financial sector, according to the National Bank of Tajikistan, the Central Bank. However, the absence of any significant money laundering investigations or prosecutions, with subsequent confiscation of criminally derived assets, makes it nearly impossible to accurately measure or gauge the precise degree to which the formal banking sector is being used or exploited to launder such criminally derived assets.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, money remitters, foreign exchange dealers, microfinance institutions, insurance companies, and securities dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 11: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, money remitters, foreign exchange dealers, and microfinance institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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 mutual evaluation report can be found here: http://www.eurasiangroup.org/mers.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Tajikistan (GOT) is a signatory to several international agreements pertaining to money laundering and financial crime. A number of the provisions in these agreements have not yet been codified into Tajik criminal law. In 2012, the GOT amended portions of its legislation pertaining to money laundering and financial crimes. The amendments bring the law more in line with international standards regarding conversion, transfer, and use of property. However, anti-money laundering legislation is still deficient in several areas. While the amended Article 78 of the money laundering law seems to allow for the confiscation of some of the instrumentalities of specific crimes, nowhere does it contain any language or reference to

the confiscation and subsequent forfeiture of the proceeds of criminally derived assets that have been or were in the process of being criminally laundered. Fundamental principles and protections in the Constitution do not allow for the criminal liability of legal entities. The GOT should criminalize tipping off.

The continued absence of legally mandated comprehensive customer due diligence requirements makes it difficult for authorities to detect financial crimes or money laundering through financial institutions. In addition, staffing and training in Tajik agencies that deal with money laundering is severely lacking, impeding the ability to conduct effective money laundering investigations. While jurisdiction for investigating money laundering and related financial crimes is divided among the Ministry of Internal Affairs, the State Committee of National Security, the Prosecutor General's Office, and the Anti-Corruption Agency, the level and quality of cooperation and coordination among these agencies could be significantly improved through training, protocols, and the establishment of multi-agency task forces.

While Tajikistan has ratified the UN Convention for the Suppression of the Financing of Terrorism, it has not fully implemented its provisions in domestic law. UNSCR 1373 has been partially implemented, but the freezing of terrorist assets still is not codified in the laws of Tajikistan. Similarly, the obligations of UNSCR 1267 have not been fully met.

The Financial Intelligence Unit (FIU) is responsible for coordinating Tajikistan's efforts to implement its anti-money laundering/counter-terrorist financing program and providing training seminars on money laundering prosecutions. In July, 2012, the Tajik FIU became a member of the Egmont Group of FIUs.

## Tanzania

While Tanzania is not a major regional financial center, its location at the crossroads of southern, central and eastern Africa leaves it vulnerable to activities, such as smuggling and the trafficking of narcotics, arms, and humans, that generate illicit revenue. The major profit generating crimes in Tanzania include theft, robbery, corruption, smuggling of precious metals and stones, and drug trafficking. With only 12 percent of the population engaged in the formal financial sector, money laundering is more likely to occur in the informal non-bank sectors. Mobile banking services, such as Mpesa and AirtelMoney, are growing rapidly in Tanzania, opening up formerly underserved rural areas to formal banking, but also creating new vulnerabilities in the financial sector. Criminals have been known to use front companies, hawaladars and *bureaux de change* to launder funds, though these are not currently significant areas of concern for Tanzanian anti-money laundering officials, who are not aware of any issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares. Real estate and used car businesses also appear to be sources of money laundering. The use of front companies to launder money appears to be more common on the island of Zanzibar. Officials indicate money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry. Bulk cash smuggling is also a problem.

The Financial Action Task Force (FATF) included Tanzania in its October 19, 2012 Public Statement for its failure to adequately implement its action plan to address noted anti-money

laundering/counter-terrorist financing (AML/CFT) deficiencies. Tanzania needs to implement procedures for identifying and freezing terrorist assets.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks and financial institutions, cash dealers, accountants, dealers in art and precious metals and stones, customs officials, and legal professionals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 30: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks and financial institutions, cash dealers, accountants, realtors, dealers in art and precious metals and stones, casinos and gaming operators, regulators, customs officials, and legal professionals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 14 in 2012
***Convictions:*** None

***RECORDS EXCHANGE MECHANISM:***

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

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/me.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012, the Government of Tanzania (GOT) took positive steps to strengthen its response to money laundering. In February 2012, the Tanzanian parliament passed new AML legislation, amending the 2006 Anti-Money Laundering Act (AMLA) to expand the list of predicate offenses to include fraud, pyramid and other similar schemes, piracy of goods, and counterfeiting of currency. The amendments also expand KYC requirements. Weaknesses remain, however, in

supervision of the financial sector and the lack of designated competent authorities responsible for ensuring compliance by financial institutions.

Coordination with Zanzibar on AML regulations and procedures has typically been complicated by the broader question of where Zanzibar's authority ends and the Union's authority begins. In October 2011, mainland and Zanzibari authorities came to an agreement to share a single financial intelligence unit (FIU), and established a national AML/CFT Center to serve as this authority. The AMLA grants operational and budgetary independence to the FIU. In addition, as established by law, the Commissioner of the FIU is the Chief Executive and Accounting Officer of the FIU. The Commissioner can only be removed from office by the President following a recommendation by a Committee of Inquiry.

The FIU has 16 staffers and reportedly plans to hire another six. Its budget increased in 2012, and it has conducted two training sessions with law enforcement authorities tasked with investigating financial crimes and two with reporting entities. In addition, the Tanzanian FIU signed memorandums of understanding with the United Kingdom, South Africa and Malawi. However, there continue to be weaknesses in the FIU's operations. The FIU should continue its efforts to train new staff, to inform institutions of their reporting and record keeping responsibilities, and to train the financial sector to identify suspicious transactions.

The GOT continues to note that training and attention has focused on mainland authorities, and authorities in Zanzibar reportedly continue to lag behind their mainland counterparts. Additional training for the judiciary, as well as for the law enforcement authorities charged with investigating financial crimes is critical.

There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. A lack of enforceable requirements to ensure customer due diligence; a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions; and ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements, continue to be issues. Bankers are supportive of the new AML law and regulations, but indicate that implementation remains a significant challenge, particularly with regard to the new KYC regulations.

Currency transaction reporting was introduced in Tanzanian law in 2012, but authorities have not yet begun implementation and are making preparations to do so. At the close of 2012, Tanzanian authorities have not yet determined a threshold amount for reporting.

Tanzania does not have formal records exchange mechanisms. The Ministry of Foreign Affairs and Central Bank of Tanzania do cooperate with other governments via memoranda of understanding, but this happens infrequently.

A new Prevention of Terrorism Act was passed in 2012 that includes mechanisms to identity and freeze assets of suspected international terrorists. The new law addresses previous deficiencies in the implementation of UNSCRs 1267 and 1373.

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, especially in Zanzibar. The GOT should focus its efforts on practical implementation of the AMLA. The GOT also should improve its cross-border cash declaration regime. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through exploitation of the money/value transfer services used in the region.

## Thailand

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses, to move the profits of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawalas via money shops that service Middle Eastern travelers in Thailand.

Thailand was publicly identified by the Financial Action Task Force (FATF) in February 2010 for its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, for which it has developed an action plan. In October 2012, the FATF determined that Thailand's progress against the agreed action plan's timeline continues to be insufficient and the Government of Thailand (GOT) needs to take adequate action to address its main deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks (including state banks), finance companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses, as well as deposit/lending cooperatives with total operating capital exceeding $67,000

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 92,392: January 1 - September 30, 2012
***Number of CTRs received and time frame:*** 824,082: January 1 – September 30, 2012
***STR covered entities:*** Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, and mortgage finance companies; land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, electronic and credit card companies, and electronic payment companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 44 in 2012
***Convictions:*** 31 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Thailand is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.apgml.org/documents/docs/17/Thailand%20DAR.pdf

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Political and civil unrest, natural disasters and elections have impeded Thailand's implementation of its AML/CFT action plan. Thailand's legislative framework still does not adequately criminalize terrorist financing and does not establish adequate procedures for identifying and freezing terrorist assets. The GOT should pass the necessary laws in its end-of-year Parliamentary session to address the Thai financial system's vulnerabilities to money laundering and terrorist financing.

Thai banking regulations cover financial institutions adequately but are ineffective against less formal operations.

The GOT has made some progress in improving its financial intelligence unit and its regulatory framework. The government has increased salaries of Anti-Money Laundering Office (AMLO) investigators to counter historically high turnover. The AMLO is responsible for monitoring compliance with AML/CFT requirements, coordinating information sharing and ensuring that financial supervisors carry out their responsibilities effectively. Thailand also has made progress

in the training and supervision of reporting entities, particularly money changers and transfer businesses.

Thai law does not adequately prohibit tipping off, leaving financial institutions and their employees subject to potential liability for filing STRs. The GOT should amend its legislation as necessary to ensure this deficiency is corrected.

## Timor-Leste

Timor-Leste is not a regional or offshore financial center, and has no free trade zones. The economy is cash based, and the Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. The national economy heavily depends on government spending financed by petroleum and natural gas revenues, supplemented by assistance from international donors. The private sector is small, concentrated in the service and retail sectors.

All three major banks in Timor-Leste are branches of foreign banks, chartered in Australia, Portugal, and Indonesia, and are subject to the reporting requirements of their home jurisdictions. In 2011, the Timorese government created a commercial bank, and it is in the process of creating a development and investment bank, expected to have partial foreign ownership.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Drugs, including methamphetamines and cocaine, have been seized in the country but narcotics trafficking is not considered a significant source of illegal proceeds. However, the inadequacy of reporting and data systems makes it difficult to track cross-border activities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

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

***KYC covered entities:*** Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 8 in 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

Timor-Leste is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Timor-Leste%20ME1.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In December 2011, the National Parliament approved Law no. 17/2011, new anti-money laundering/counter-terrorist financing (AML/CFT) legislation. The law contains important changes, including KYC rules that cover financial institutions and non-financial businesses and professions; suspicious transaction reporting requirements; a tipping off provision; record keeping requirements; and, criminal liability for legal persons. Customer due diligence and reporting procedures have been implemented only in banks and microfinance institutions. The law also establishes a financial intelligence unit, currently located at the Central Bank of Timor-Leste. However, there are weaknesses in the law. The law excludes nearly half of the categories of crimes listed as predicate offenses for money laundering in the international standards. Also, the law provides for immediately freezing terrorist assets and allows asset forfeiture, but only with prior notice to the suspect account holder. In addition, the law mandates the fullest judicial cooperation between relevant Timorese authorities and competent foreign authorities. The details of that cooperation are not specified, however. Many of the details with respect to implementation of the law are contained in a Decree Law and instructions which have not yet been implemented.

The Government of Timor-Leste (GOT-L) lacks critical AML/CFT controls, and its low technical, financial, and human capacity makes it difficult to enforce adequately the laws that are in place.

Parliament should remedy the deficiencies in the 2011 law and implement the necessary measures to make it more effective. The GOT-L should criminalize money laundering in line with international standards. The GOT-L should provide a safe harbor provision in the law to protect institution directors, officers, and employees who report suspicious transactions in good faith. Timor-Leste 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 porous borders, susceptibility to corruption, and large informal sector make it vulnerable to drug transshipments and small-scale money laundering. Most narcotics passing through Togo are destined for European markets. Trafficking in persons, corruption, misappropriation of funds, tax evasion, and smuggling are major crimes in Togo. The country's small financial infrastructure, dominated by regional banks, makes it a less attractive venue for money laundering through financial institutions.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations, travel and real estate agents, and the post office

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 26: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations, travel and real estate agents, and the post office

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3: January 1 – November 30, 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Togo is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/about-giaba/25_mutual-evaluation.html

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Togo (GOT) is slowly implementing a national plan to fight drugs and money laundering, and has been receiving increasing support from foreign donors. Togo's anti-money laundering/counter-terrorism financing (AML/CFT) laws are primarily administered by its financial intelligence unit (FIU), the National Financial Information Processing Center (CENTIF). CENTIF analyzes STRs as well as reports of attempts to transport money across borders in excess of the amounts allowed by law. CENTIF lacks full operational autonomy and is inadequately resourced.

Investigating magistrates, police, and customs have little expertise in AML/CFT matters. In addition to a lack of capacity on the investigative side, the GOT has difficulty pursuing prosecutions due to an inefficient and overburdened court system. Corruption in government and all levels of society presents further obstacles.

Togo's terrorism financing law does not comport with international standards. Additionally, although Togo's AML/CFT laws include know-your-customer provisions, most covered entities are not aware of the requirements and compliance is negligible. Also, some designated non-financial businesses and professions are not subject to supervisory oversight for AML/CFT purposes.

## Tonga

Tonga is an archipelago located in the South Pacific. With only three commercial banks Tonga is neither a financial center nor an offshore jurisdiction. Remittances from Tongans living and working abroad are the largest source of hard currency earnings, followed by tourism.

Tonga has not been seen as a major narcotics transit point, but during 2012, a substantial amount of cocaine was recovered, apparently en route to Australia. There were allegations that citizens of Tonga may have links to transnational drug cartels but the scale of this is unknown. Tonga is deemed by local police authorities to be vulnerable to smuggling and money laundering due to inadequate border controls.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Tongan Transaction Reporting Authority (TRA) is generally vested with the authorities of a financial intelligence unit, although there are some serious limitations in its powers. The TRA's functions under the Money Laundering and Proceeds of Crime Act (MLPCA) do not explicitly include analysis of STRs. Additionally, the lack of timely access to financial, administrative, and law enforcement information severely limits the TRA's ability to effectively analyze STRs.

Although many types of entities are covered under the MLPCA, know-your-customer procedures and STR requirements are only applied to banks and foreign exchange dealers actively supervised by the National Reserve Bank of Tonga or the TRA. The government should work to ensure these requirements are applied more broadly and that politically exposed persons (PEPs) are covered under the relevant due diligence procedures. In addition, the country should consider better tracking of international cash transactions.

Relevant legislation regarding money laundering and terrorist financing does not expressly provide for national cooperation and coordination, which is therefore based on policy and practice. In practice, information sharing with some parts of the international community has been good.

The primary limitation to detecting money laundering in Tonga is the lack of technical and experienced staff and staffing restraints at key anti-money laundering/counter-terrorist financing agencies, including the TRA and the Tonga Police Transnational Crimes Unit. The lack of resources results in a lack of monitoring and depth of investigation of suspicious transactions, and an absence of prosecutions. A related issue is that the investigators may not be aware of new money laundering methodologies.

The Government of Tonga should become a party to the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

## Trinidad and Tobago

Drug trafficking, illegal arms sales, fraud, and public corruption continue to be the most likely sources of laundered funds in Trinidad and Tobago (TT). Criminal assets laundered in TT are derived from domestic criminal activity as well as from criminal activities committed abroad. Some money laundering proceeds are controlled by drug trafficking organizations and organized crime entities operating locally and internationally. Money laundered by transnational criminal organizations in TT most commonly derives from the local sale of marijuana, cocaine, and firearms. There is information to suggest laundered proceeds also are controlled by certain local religious organizations.

TT's relatively new and untested anti-money laundering/combating the financing of terrorism (AML/CFT) regime is not able to quantify the extent to which fraud and public corruption contribute to money laundering. Embezzlement and malfeasance in government acquisitions are commonly suspected, but rarely proven. Funds embezzled from unemployment relief programs are believed to be used by local narco-traffickers to purchase stocks of illegal substances or weapons for resale in local markets, the profits from which are laundered in local banks. According to information from financial institutions and legal analysts, financial crimes in general are increasing, particularly those involving the use of fraudulent checks, wire transfers, and financial instruments in the banking sector; and currency trades below the suspicious activity reporting threshold. The perception of impunity on the part of government contractors, financiers, and politicians encourages corrupt practices on the part of private individuals.

There is no significant black market for goods smuggled into TT. Reports of illegal diesel bunkering, the sale of heavily subsided diesel fuel originating from TT, occurring in or near TT territorial waters are on the rise. The estimated value of this trade is placed at over $100 million. Furthermore, the incidence of drug money supporting illegal arms imports is thought to be growing. Trinidad and Tobago Customs and Excise Division (TTCED) officials confirm trade-based money laundering occurs in TT, reporting cases of over- and under-invoicing of shipped goods and falsely described goods. There are no indications such activity is tied to terrorist financing.

TT does not have a significant traditional offshore business sector. While the banking system is generally regarded as the strongest and most efficient in the region, it is still considered high-cost and inefficient relative to competitors in the offshore market. The volume of money laundering in the offshore banking sector in TT is unknown. The extent to which alternative remittance services are a problem in TT is unclear.

There are six free trade zones (FTZs) in TT where exporting of manufactured products takes place. Companies must present proof of legitimacy and are subject to background checks prior to being allowed to operate in the FTZs, and while operating are required to submit tax returns quarterly and audited financial statements yearly. There is no evidence the FTZs are involved in money laundering schemes.

Casinos are legal in TT; however, online gaming is not allowed. The extent to which casinos are used to launder funds is unknown.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 127: January 1 – July 31, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** 0 in 2012

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

Trinidad and Tobago is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=doc_download&gid=664&Itemid=417&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

As outlined in its AML/CFT Action Plan, the Government of TT (GOTT) established the necessary legal and regulatory framework to address strategic deficiencies, although progress of the proposed Credit Union and Securities bills to effect proper sector supervision and AML/CFT compliance has slowed. Ambiguity surrounding the confiscation/forfeiture regime and the freezing without delay mechanism was removed; its implementation demonstrated in an ongoing AML/CFT case before the courts. Further legislative amendments in 2012 enhance the ability of the financial intelligence unit (FIU) to request information from public authorities and to obtain a court order where the requested information is not provided within a reasonable time. The GOTT continues to work to address the full range of AML/CFT issues, particularly implementation of the new legislative and regulatory reforms.

Two-thirds of suspicious transaction reports in 2012 were received from the formal financial sector, and one quarter from money transfer services, with a total value of $90 million. AML/CFT implementation measures in 2012 focused on the FIU's continuing efforts to achieve effective operations and apply a supervisory regime for designated non-financial businesses and professions through identifying and registering listed business activities and commencing on-site inspections. The impact of this action resulted in 239 instances where sanctions were initiated against non-compliant businesses. However, the system remains exposed until criminal elements are prevented from owning or managing private members' clubs, which conduct casino operations. The FIU needs additional personnel to effect proper oversight of the hundreds of listed businesses subject to enforcement.

Interagency agreements were signed in 2012 to facilitate the exchange and sharing of information between the FIU, police, TTCED, Board of Inland Revenue, and the Registrar General. These agreements coincide with the commencement of several major investigations using a task force approach. In 2012, law enforcement agencies collectively detained, confiscated and forfeited motor vehicles, real estate, and a boat with a total asset value of over $1 million. The commencement of the country's first money laundering prosecution in 2012 is encouraging and noteworthy.

## Tunisia

Tunisia is not considered a 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 organized crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics.

Use of the financial sector for money laundering occurs, especially through informal economic activity involving smuggled goods. Since Tunisia has strict currency controls, it is likely that underground remittance systems such as hawala are prevalent. Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often involved in hawala counter-valuation.

Tunisia has two free trade zones, in Bizerte and Zarzis. Tunisia has eight offshore banks and 1,879 offshore industry companies, 1,158 with foreign participation.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, microfinance institutions, financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metal, jewels, precious stones, or high value goods; and managers of casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, microfinance institutions, financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metal, jewels, precious stones, or high value goods; and managers of casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20_with%20response_.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Governor of the Central Bank heads Tunisia's interagency financial intelligence steering committee, the Tunisian Financial Analysis Commission (CTAF). Other members include a magistrate and representatives from the Ministry of Finance, Customs General Directorate, National Post Office, Council of Financial Markets, Insurance General Committee, Ministry of Interior, and "an expert specialized in the fight against financial infringements." The General Secretary is in charge of the supervision of the financial intelligence unit. CTAF lacks analytical capacity due to a lack of analytical staff as well as lack of training for the staff already in place.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore financial institutions are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. Offshore international business companies are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts. The Tunisian penal code provides for the seizure of assets and property tied to narcotics trafficking and terrorist activities.

The Government of Tunisia (GOT) should continue to implement and enhance its anti-money laundering/counter-terrorist financing regime. GOT officials should collect and disseminate statistics such as prosecutions and convictions to assist in measuring progress. Tunisian authorities should examine, regulate where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based money laundering and value transfer and should examine underground finance and its possible link to money laundering and extremist finance.

## 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 smuggling, invoice fraud and tax evasion, and to a lesser extent, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are also present in Turkey.

Money laundering takes place in banks, non-bank financial institutions, and the underground economy. Informed observers estimate as much as half of the economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

In October 2012, the Financial Action Task Force (FATF) included Turkey in its Public Statement for Turkey's continuing lack of adequate terrorist financing legislation and a legal framework within which to freeze terrorist assets. The FATF also announced it would take the countermeasure of suspending Turkey's FATF membership if appropriate actions to address its concerns are not taken by its February 22, 2013 plenary.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset

managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** Not available
***Convictions:*** Not available

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

Turkey is a member of the FATF. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

For the past two years, various draft terrorism finance laws, which were supposed to address international concerns, were circulated and submitted to Parliament, the most recent in October 2011. However, the FATF, upon review of the legislation, informed the Government of Turkey (GOT) that the draft law currently before Parliament is insufficient to address the vulnerabilities identified. At the end of 2012, Turkey's draft law still remained insufficient.

The GOT's nonprofit 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 terrorist financing activity and does not receive adequate anti-money laundering/counter-terrorist financing (AML/CFT) outreach or guidance from the GOT. The General Director of Foundations issues licenses for charitable foundations and oversees them. However, there are a limited number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in the effectiveness of Turkey's AML regime that should be addressed. These include: improving customer due diligence; making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded properly and consistently; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; and providing for the publication of current statistics on STRs, prosecutions, and convictions. The GOT should ensure adequate resources are made available to improve the deficiencies in its AML/CFT framework and to allow effective implementation to address noted issues.

## Turkmenistan

Turkmenistan is not an important regional financial center. There are only five international banks and a small, underdeveloped domestic financial sector. The country's significant mineral wealth is paid for through offshore accounts with little public scrutiny or accounting.

Given Turkmenistan's shared borders with Afghanistan and Iran, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics (primarily opium and heroin) as well as those derived from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders. The two casinos operating in Turkmenistan, managed by Turkish companies, could be vulnerable to financial fraud and money laundering activity.

There are no offshore centers in the country. In 2007, Turkmenistan introduced the Awaza (or Avaza) Tourist Zone (ATZ) to promote the development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, money exchangers, and money remitters; postal service operators; leasing companies; securities brokers and intermediaries; insurance institutions; portfolio and asset managers; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars; and, pawnshops

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 2: January 1 - May 20, 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, credit institutions, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchanges, and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery prizes or gaming entities; charitable foundations; and, pawnshops

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 9: January 1 - May 20, 2011
***Convictions:*** Not available

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

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Inter-Agency Coordination Working Committee for combating money laundering and financing of terrorism operates under the Ministry of Finance. Turkmenistan's financial intelligence unit (FIU) has begun to function, and the Government of Turkmenistan (GOT) has increased its efforts to equip FIU officials with computer software designed to perform link analysis. International experts have seen positive movement in the country's anti-money laundering/counter-terrorist financing (AML/CFT) actions.

Foreign embassies provide terrorist financing information regarding UN- and U.S.-designated individuals and organizations subject to asset freezing to the Ministry of Foreign Affairs, which reportedly distributes it to other relevant agencies. It is not clear, however, if financial institutions receive the information. While laws exist, the government does not have an independent system or mechanism for freezing terrorist assets. There are no reports that authorities identified, froze, seized, or forfeited assets related to terrorist financing in 2012.

The GOT should continue to work with international advisors to put in place an AML/CFT regime that comports with international standards. The GOT should enact a safe harbor provision to protect filers of STRs from being subject to civil or criminal liability. Turkmenistan's law enforcement, customs, and border authorities need continuing assistance to recognize and combat money laundering and terrorist finance.

## Turks and Caicos

The Turks and Caicos Islands (TCI) is a British Overseas Territory with a population of approximately 46,000. The economy depends greatly on tourism and the offshore financial sector. Financial services contributed almost 30 percent of GDP. The TCI is vulnerable to money laundering due to its significant offshore financial services sector and notable deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime. In addition, corruption is a problem. The country's geographic location has made it a transshipment point for narcotics traffickers.

As of November 2011, the TCI's well-developed financial sector is comprised of eight banks, seven money remitters, 18 professional trustees, six securities firms, and 5,291 insurance companies. At the end of 2011, 9,871 "exempt companies," or international business companies (IBCs), were included in the Companies Registry. Trust legislation allows the establishment of asset protection trusts that insulate assets from civil adjudication by foreign governments; therefore, TCI remains a tax haven for foreigners seeking to evade domestic tax reporting requirements. The country also has two casinos.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 44 in 2011
***Number of CTRs received and time frame:*** None
***STR covered entities:*** Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2011
***Convictions:*** None

***RECORDS EXCHANGE MECHANISM:***

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

TCI is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=329&Itemid=418&lang=en

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Even though trust legislation allows the establishment of asset protection trusts, the Superintendent of Trustees has investigative powers and may assist overseas regulators. The Financial Services Commission licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers and designated non-financial businesses. It also licenses IBCs and acts as the Company Registry for the TCI.

Deficiencies remain, including weaknesses in cross-border currency controls and effective dissemination of designated terrorists lists. TCI does not produce or regularly release reports containing statistics on STRs, trends and typologies. It is also unclear whether 2011 legislative changes have increased the speed by which STRs are reported to the authorities.

The AML/CFT reporting and compliance responsibilities of designated non-financial businesses and professions should be more clearly articulated, in particular for casinos. TCI should consider implementing domestic provisions which allow for the enforcement of foreign restraint and confiscation orders, and the sharing of assets confiscated as a result of such cooperation. While this occurs in practice, having a formal system in place would facilitate such actions.

The TCI is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the United Kingdom (UK) is responsible for the TCI's international affairs and may arrange for the ratification of any convention to be extended to the TCI. The 1988 Drug Convention was extended to the TCI in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not yet been extended to the TCI. The UNTOC is implemented in the TCI by various Orders in Council which were made in the UK and have legislative effect in the TCI.

## Uganda

A 2012 report by the Center on Global Counterterrorism Cooperation concludes that Uganda is "deeply vulnerable to money laundering and terrorist financing" and that "money laundering is rampant in the country." Officials in the Ministry of Finance and Bank of Uganda (BOU) agree with this assessment and are lobbying hard for passage of Uganda's long-stalled comprehensive anti-money laundering (AML) legislation. Money laundering in Uganda derives largely from government corruption, misappropriation of public funds and foreign assistance, and abuse of the public procurement process. Other widespread offenses for money laundering in Uganda include arms and natural resource smuggling, exchange control violations, and human trafficking.

Uganda's enormous cash-based informal economy provides a fertile environment for money laundering, as does its lack of anti-counterfeiting legislation which feeds a large black market for smuggled and/or counterfeit goods. Currently, most laundered money comes from domestic

proceeds. However, 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. Uganda's black market takes advantage of these borders and the lack of customs and tax collection enforcement capacity. Annual remittances are Uganda's largest single source of foreign currency.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***
***"All serious crimes" approach or "list" approach to predicate crimes:*** Not applicable
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***
***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, finance companies, microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

***REPORTING REQUIREMENTS:***
***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, finance companies, microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** NO

Uganda 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/userfiles/UGANDA_MER1.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Ugandan efforts to combat money laundering are limited by the lack of comprehensive AML legislation, severe resource constraints, and internal government corruption. Uganda has not

criminalized money laundering. Uganda's Anti-Money Laundering Committee, which comprises multiple Government of Uganda (GOU) ministries and is chaired by the BOU, drafted a comprehensive AML bill approved by the Cabinet in January 2005. However, it remains stalled in Parliament, where there is little political will to pass it. The Ministry of Finance and BOU co-hosted a two-day sensitization workshop for Parliamentarians in December 2012 to try to create the political will to pass the bill. Uganda is ranked 130 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index.

Current efforts to combat money laundering are piecemeal and based on other legislation such as the Anti-Terrorist Act of 2002 and the Financial Institutions Act of 2004. The Anti-Terrorist Act makes terrorist financing illegal, but does not place it in the overarching framework of money laundering. There is no evidence it has been used to effectively prosecute financiers of terrorism. There is no suspicious transaction reporting (STR) requirement for suspected terrorist financing under this act.

The BOU has statutory authority to set KYC and STR requirements for financial institutions, foreign exchange bureaus, and deposit-taking microfinance institutions. The BOU mandates KYC programs and receives STR reports from financial institutions and foreign exchange bureaus, but does not closely monitor remittances or foreign exchange bureaus. The BOU does not keep data on filed reports, and no other government entity receives them. The Financial Institutions Act provides the BOU with the ability to freeze accounts which are believed to be the proceeds of crime. However, the Act does not provide procedures for either asset forfeiture or releasing funds. The Insurance Commission and Capital Markets Authority also have KYC and STR guidelines for their regulated entities, but no firm regulations.

The Criminal Investigations Department (CID) of the Ugandan Police Force is understaffed and lacks adequate training in financial investigation techniques related to money laundering and terrorist financing. Internal corruption within the CID also hampers police investigative capacity. According to GOU officials, criminals often have access to technology that is more sophisticated than that available to police investigators.

In 2011, the Uganda Revenue Authority (URA) decided to implement a new policy requiring anyone involved in real estate purchases valued at more than $20,000 to declare their source of income. However, the policy is controversial and it is unclear when or if the URA will begin enforcing it.

The GOU should pass the long delayed AML legislation and work with the international community to put in place an anti-money laundering/counter-terrorist financing regime that comports with international standards.

## Ukraine

Although Ukraine does not have a regional banking or financial industry, it has had close ties with other European banks. Recently, however, several international banks have pulled out of the country. In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral

resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional vulnerability is the level of corruption throughout society – both in the private and public sectors. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored. Transnational organized crime is also present and both transits the country as well as conducts business in Ukraine. It is involved in drug trafficking, economic crimes, cigarette trafficking, trafficking in persons, public corruption, real estate and other frauds, violent crimes and extortions. It is able to operate in Ukraine due to the corruption of the justice system.

Various laundering methodologies are used, including the use of real estate, insurance, bulk cash smuggling, and through shell companies and financial institutions. There is a significant market for smuggled goods and a large informal financial sector in the country. These activities are linked to evasion of taxes and customs duties. As many Ukrainians work abroad, worker remittances using banking transfers or via international payment systems are reported at $1.9 billion in 2011. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available – combined with CTRs
***Number of CTRs received and time frame:*** 716,821 from January – September 2012
***STR covered entities:*** Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service

operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 42: January - June 2012
***Convictions:*** 34: January - June 2012

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

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Ukraine should address the rise of cybercrime and related transnational organized criminal activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase its attention to investigating large-scale corruption and money laundering schemes. Ukraine also should adopt and implement a system to provide for asset freezing, confiscation and forfeiture.

While Ukraine has the necessary treaties signed and ratified, in many instances they are not applied or are applied poorly. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance and asset forfeiture. Furthermore, while Ukraine is a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime, the provisions of these conventions are not implemented or are not working properly in Ukraine. Ukraine should work to implement its treaty obligations.

## United Arab Emirates

The United Arab Emirates (UAE) is the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia. Its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center. The potential for money laundering is exacerbated by the large number of resident expatriates, roughly 80 to 85 percent of the total population, who send remittances to their homelands.

A significant portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Groups operating primarily

outside the country almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorist financing.

Regional hawalas and associated trading companies in various expatriate communities, most notably the Somalis, have established clearinghouses, the vast majority of which are not registered with the UAE government. Likewise, the UAE's proximity to Somalia has generated anecdotal reports suggesting some influx and/or transit of funds derived from piracy. There is no significant black market for smuggled goods in the UAE, but contraband smuggling (including alcohol) probably generates some funds that are laundered through the system. There are some indications that trade based money laundering occurs in the UAE and that such activity might support terrorist groups in Afghanistan, Pakistan and Somalia.

Other money laundering vulnerabilities in the UAE include exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center and 38 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs, and thousands more individual trading companies. Companies located in the free trade zones are considered offshore or foreign entities for legal purposes. However, UAE law prohibits the establishment of shell companies and trusts.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, insurance companies, exchange houses, and securities traders

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 479: January 1 – March 31, 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, insurance companies, exchange houses, and securities traders

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

***With other governments/jurisdictions:*** YES

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

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of the UAE (GOUAE) continues to work on enhancing its anti-money laundering/countering the financing of terrorism (AML/CFT) program; however, several areas require ongoing action by the GOUAE. The GOUAE should increase the capacity and resources it devotes to investigation of ML/TF both federally at the Anti-Money Laundering/Suspicious Cases Unit (AMLSCU) and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. The AMLSCU also needs additional resources to be able to execute its mandate of hawala supervision – currently it is not capable of supervising the vast number of hawalas in the country or enforcing hawala compliance.

On August 13, 2012, the GOUAE issued Federal Legal Decree No. 5 for 2012 on combating cyber crimes. Article 37 of the law stipulates seven years' imprisonment and a fine of not less than 500,000 Dirhams (approximately $136,128) and not exceeding 2 million Dirhams (approximately $544,514) against any person using electronic sites or any information technology means to transfer or deposit illegal funds with the intention to hide or camouflage their source, or to hide or camouflage the facts about illegal funds, their source, movement and ownership.

Although UAE legislation includes a provision prohibiting tipping off, the provision is very narrow and does not appear to address the disclosure of STR filings to third parties. Additionally, the Central Bank regulations appear to require institutions to notify customers of suspicions regarding their accounts. This would appear to contradict any tipping off prohibitions.

While firms operating in the Dubai International Financial Center (DIFC) are subject to the UAE AML law, the Dubai Financial Services Authority (DFSA), regulator of the DIFC, has its own AML regulations and supervisory regime which it has based on regulatory regimes and standards found in the United States and Europe. This has caused some ambiguity about the Central Bank's and the FIU's respective authorities within the DIFC; however, the overlapping authorities can result in financial institutions holding to a more rigorous standard in compliance matters.

Enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The GOUAE should expand follow-up with financial institutions and the Ministry of Social Affairs regarding regulations on charities to ensure their registration at the federal level. The UAE also should continue its regional efforts to promote sound charitable oversight. The GOUAE has been looking at moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should continue to act upon this interest. The cooperation between the Central Bank and the DFSA can be improved, with lines of authority clarified. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program.

## United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. *Bureau de change*, cash smugglers (into and out of the UK), and traditional gatekeepers (including lawyers and accountants) are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high value assets to disguise illegally obtained money.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks, credit unions, building societies, emoney issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 285,000: January 1, 2012 – November 29, 2012
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, credit unions, building societies, emoney issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2,721 in 2010
***Convictions:*** 1,587 in 2010

***RECORDS EXCHANGE MECHANISM:***

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

The United Kingdom is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FoR%20UK.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The United Kingdom has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. It is an active participant in multilateral efforts to meet AML/CFT threats. The UK continuously reviews and assesses the effectiveness and proportionality of its AML/CFT regime – including through the approval of updated and more accessible industry guidance.

Late in 2012, in cooperation with U.S. authorities, the British Financial Services Authority (FSA) put in place a 25-point regulatory plan with which a large British-based bank must comply. The bank also agreed to pay a record $1.92 billion in fines to U.S. authorities for allowing itself to be used for several years to launder drug money flowing out of Mexico, and for other banking lapses, including transferring funds from countries under international sanctions. In a deferred prosecution agreement with the U.S. Department of Justice, the bank acknowledged it failed to maintain an effective program against money laundering and failed to conduct adequate due diligence on some account holders.

There is no enhanced customer due diligence for British PEPs. The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

In April 2013, the FSA is due to be reorganized. The new Prudential Regulation Authority will be the prudential supervisor and the Financial Conduct Authority will monitor the conduct of business across markets and services. The reorganization is dependent on the Financial Services

Bill being approved by Parliament. Also, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, is due to transition to the National Crime Agency in 2013. It is important these changes not impede the UK's AML/CFT efforts.

## Uruguay

Although the Government of Uruguay (GOU) took affirmative steps to counter money laundering (ML) and terrorism financing (TF) activities and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 75 percent of deposits and 50 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian criminal organizations are operating in Uruguay and Mexican criminal organizations are also likely present. There is additional concern about organized crime moving south from Brazil.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers are increasingly participating in other illicit activities like car theft and trafficking in persons, and violent crime is rising. Publicized ML cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, there is a market for smuggled goods, determined by price differentials between Uruguay and its neighbors. Bulk cash smuggling and trade-based money laundering are likely to occur; however, there is no indication they are tied to terrorist financing.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. Money is likely to be laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the GOU requiring they be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

There are 13 free trade zones (FTZs) located throughout the country. Three accommodate a variety of tenants offering a wide range of services, including financial services. Two were created exclusively for the development of the pulp industry, one is dedicated to science and technology, and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay. A decree passed in November 2010 discourages shell companies from establishing a presence in FTZs.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 199: January 1 – November 30, 2012
***Number of CTRs received and time frame:*** 6.1 million: January 1 – October 31, 2012
***STR covered entities:*** Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and other persons who carry out transactions or administer corporations on behalf of third parties

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.gafisud.info/pdf/InformeEMUruguay09.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Uruguay continued making progress on AML/CFT in 2012. Main developments include: the approval of the new National Strategy against money laundering for 2012-2015; the passage of a law banning bearer shares corporations; the signature of several tax information exchange agreements; the compilation of all AML/CFT-related legislation in a single body (with a view to harmonization and improvement); and, the launching of a Strategic Information Unit within the AML Secretariat (AMLS) (Decree 334/12). Additionally, the GOU created a working group to

analyze the inclusion of tax evasion as a predicate crime for ML. The financial intelligence unit (UIAF) released a "Guide to Risky Operations and Alerts Related to Terrorism Finance" (Communication 2012/191), and the AMLS launched its web page.

The AML/CFT Strategy, approved in August 2012 via Decree 289/12, is expected to be a major improvement from the previous 2007 strategy. It was developed in two stages with donor support: identification of the most vulnerable areas (2010) and design of a strategy to address them (2011). The new Strategy seeks to strengthen Uruguay's overall AML/CFT system by improving three areas: prevention; detection/financial intelligence; and criminal justice. UIAF personnel are hopeful the Strategy will help the GOU address several weak points on prevention and control. The Strategy's work plan includes a precise set of goals, lays out responsibilities for different agencies, and sets a timeline for each goal.

Law No 18,914, passed in June 2012, mandates all government offices supply information to two judges and two prosecutors specialized in organized crime. The law expedites the procedures for judges and enables prosecutors to require reporting. In 2012, the GOU continued strengthening its AMLS, which organized several training events to create awareness about the importance of seizing assets and imprisoning criminals. In December 2011 and May 2012, the UIAF extended the obligation to report CTRs to securities intermediaries and wire transferors/remitters (Communications 2011/228 and 2012/036). In 2012, the UIAF designed a set of early warning indicators to leverage its comprehensive database. Over 96 percent of STRs were made by the financial sector.

The GOU does not have precise public records on prosecutions, convictions or amount of seized assets related exclusively to AML/CFT cases. Reportedly, 11 individuals were prosecuted in January - late November 2012, in two money laundering cases that had trafficking in persons and corruption as predicate crimes. The National Drug Council, which administers Uruguay's Seized Assets Fund, indicates that between January and late November 2012, the GOU seized 47 vehicles and $1.2 million in cash, and confiscated one house. In 2012, the UIAF did not freeze any assets.

The GOU should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, and should work with non-financial obligated entities, such as notaries or real estate brokers, to improve suspicious operations reporting.

## Uzbekistan

Uzbekistan borders Afghanistan, and porous borders allow for narcotics, money and other goods to enter and exit the country to and from neighboring countries. Uzbekistan is not a major regional financial center and does not have a well-developed financial system. Uzbekistan operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect.

Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and other organized criminal organizations control narcotics

markets and proceeds from other criminal activities, such as smuggling of cash, high-value transferable assets (e.g., gold), property, or automobiles. Uzbekistan is home to a significant black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but can be used to launder drug-related money.

The large percentage of the migrant workers sending money to Uzbekistan may pose risks with regard to informal or alternative value systems; however, there is little publicly available information on these entities.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Banks, credit unions, micro-credit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5,000 in 2011
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Banks, credit unions, micro-credit institutions, securities brokers, members of the stock exchange, insurance agents and brokers, leasing companies, money transfer companies, dealers in precious metals and stones, real estate agents, notaries, lawyers, audit organizations, pawn shops, and lotteries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2012
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force-style regional body. Its most recent mutual

evaluation can be found here:
http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_eng_amended.doc

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Uzbekistan's legal system is generally susceptible to corruption and political influence. Since 2009, legislation to reestablish anti-money laundering/counter-terrorist financing (AML/CFT) measures has been adopted piecemeal, leading to confusion from vague requirements, incomplete procedures, and occasional conflicts with banking regulations. Government secrecy surrounding cases and statistics inhibits evaluation. The Prosecutor General's Office attempts to maintain secrecy by not releasing the criteria for identifying suspicious transactions, even to banks. Fearing the consequences of not reporting criminal activity, banks adopted excessively cautious policies that have led to massive over-reporting since 2010.

Ambiguities in the law make it difficult to determine the division of authority among the Prosecutor General's Office and other law enforcement bodies in money laundering cases. Aside from the Financial Intelligence Unit (FIU), the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist finance, respectively, and both are making efforts to build financial crime departments.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation.

The Uzbek government currently is working with international donors to improve the AML/CFT legal framework and build national enforcement capacity.

## Vanuatu

Vanuatu, closely tied to the economies of Australia and New Zealand, has a developing economy primarily based on agriculture and tourism.

The Government of Vanuatu (GOV) is trying to maintain its tax haven reputation while adopting regulations to keep it in line with international anti-money laundering/counter-terrorist financing (AML/CFT) standards. Vanuatu has historically maintained strict bank secrecy provisions that have prevented law enforcement agencies from identifying the beneficial owners of registered offshore entities. International experts have raised concerns about the offshore banking facilities and the vulnerability of the offshore sector to money laundering. The GOV has responded by introducing greater regulatory control of the offshore banking sector and strengthening domestic and offshore financial regulation, which has led to a reduction in the number of offshore banks operating in Vanuatu from over 63 in the early 2000s to just seven.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, insurance and securities companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 50 in 2012
***Number of CTRs received and time frame:*** 6,712 in 2012
***STR covered entities:*** Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and cash dealers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Vanuatu is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2012 Vanuatu amended its Proceeds of Crime Act and Mutual Assistance in Criminal Matters Act to eliminate noted duplication and inconsistency.

The Reserve Bank of Vanuatu and the Vanuatu Financial Services Commission have responsibility for regulating the offshore banking sector. They are supported by the Financial Intelligence Unit (FIU). The FIU does not have the requisite number of staff or the financial and technical resources to effectively perform its duties, particularly in light of Vanuatu's recently enhanced AML/CFT legislation.

The Vanuatu Police Department operates a small Transnational Crime Unit, which is responsible for conducting investigations involving money laundering and terrorist financing offenses, the identification and seizure of criminal proceeds, and conducting investigations in cooperation

with foreign jurisdictions. In 2012 Vanuatu put in place two important memorandums of understanding (MOUs). In March, Vanuatu's State Law Office, which houses the FIU, signed a MOU with the Vanuatu Police Force to formalize information sharing on money laundering and fraud cases. While the two entities had a historically good relationship, there had been no formal legal mechanism in place to allow for the sharing of information, which slowed investigations. In August, the FIU signed a MOU with the Vanuatu Department of Customs and Inland Revenue, to put in place a similar formal information sharing arrangement.

The GOV should continue to implement all the provisions of its Proceeds of Crime Act and enact all additional legislation necessary to bring both its onshore and offshore financial sectors into compliance with international standards. The GOV should establish a viable asset forfeiture regime and circulate the UNSCR 1267 Sanctions Committee updated list of designated terrorist entities. Appropriate authorities should continue to initiate outreach to all reporting institutions regarding their legal obligations and should ensure enforcement agencies have sufficient resources and training. The GOV also should develop and implement a comprehensive system for the declaration or disclosure of cross-border transportation of cash and negotiable monetary instruments.

## Venezuela

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, weaknesses in its anti-money laundering regime, limited bilateral cooperation, and substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent method for laundering regional narcotics proceeds. One such trade-based system is 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. It is reported many black market traders ship their goods through Margarita Island's free port, one of three free trade zones/ports in Venezuela. The free trade zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as Venezuelan firms. Venezuela 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.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities and insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,427 in 2011
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities and insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 14: January 1 - November 29, 2012
***Convictions:*** 8: January 1 - November 29, 2012

***RECORDS EXCHANGE MECHANISM:***

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

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:
http://www.cfatfgafic.org/downloadables/mer/Venezuela_3rd_Round_MER_(Final)_English.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Venezuela (GOV) has implemented its 2010 action plan and improved anti-money laundering/counter-terrorism financing (AML/CFT) deficiencies. Venezuela's executive branch approved new regulations to strengthen the supervision of banks and securities intermediaries through the Superintendent of Banking Sector Institutions and National Superintendent of Securities, respectively. In the banking sector, the new regulations require enhanced due diligence for higher-risk activities, customer profiles, and categories of customers – distinctions that did not exist prior to these regulations. In the securities sector, the new regulations require securities intermediaries to determine the origin and destination of the funds being used, conduct comprehensive customer due diligence, appoint compliance officers,

maintain internal committees for prevention and control of money laundering, and have a code of ethics. In January 2012, the national assembly passed a law that defines and sanctions both organized crime and terrorist financing. However, the politicized judicial system compromises the law's effectiveness. The GOV should increase institutional infrastructure and technical capacity to effectively implement the new AML/CFT legislation and legal mechanisms.

The U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with Venezuela's National Financial Intelligence Unit, after the unauthorized disclosure of information provided by FinCEN in January 2007.

## Vietnam

Vietnam, although not considered a major regional financial center, is a site of significant money laundering activity. Vietnam's economy is largely cash-based, with both U.S. dollars and gold widely used as a means of exchange and storing value. Sources of illicit funds in Vietnam include public corruption, fraud, gambling, prostitution, counterfeiting of goods and trading in counterfeit merchandise, illegal wildlife trade, and trafficking in persons. Remittances from the proceeds of narcotics trafficking in Canada, the United Kingdom, and the United States are a significant source of money laundering, as are narcotics proceeds from traffickers using Vietnam as a transit country.

Vietnam's banking sector is partially privatized. However, the state maintains controlling interests in five individual banks that collectively represent at least 50 percent of total assets in the banking system. Because of widespread cross-ownership between state-owned enterprises and individual banks, the true level of state control of banking system assets is indeterminable but undoubtedly much higher than 50 percent. There are no signs the state intends to relinquish this level of control. State-controlled banks are employed as tools for carrying out state policies, which includes favorable treatment of state-owned enterprises, many of which are related through interlocking directorates. Almost all trade and investment receipts and expenditures are processed by the banking system, but transactions are not monitored effectively. As a result, the banking system is at relatively higher risk of being used for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- or under-invoicing of exports and imports are common and could be indicators of trade-based money laundering. Real property is also believed to play a significant role in the money laundering process.

On October 19, 2012, the Financial Action Task Force (FATF) included Vietnam in its Public Statement, acknowledging that, although Vietnam has taken steps toward improving its anti-money laundering/counter-terrorist financing (AML/CFT) regime, Vietnam has not made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** NO
***KYC covered entities:*** Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos or lotteries; real estate trading service companies; traders in gold, silver and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 352: January 1 through September 30, 2012
***Number of CTRs received and time frame:*** 0
***STR covered entities:*** Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos or lotteries; real estate trading service companies; traders in gold, silver and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

Vietnam 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/Vietnam%20ME1.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Vietnam (GOV) has issued various decrees to criminalize money laundering and terrorist financing, establish procedures to identify and freeze terrorist assets, improve the AML/CFT supervisory framework, enhance customer due diligence and reporting, and strengthen international cooperation. A new law was enacted in June 2012 and took effect on January 1, 2013. The AML law includes only preventative measures. Enforceable obligations with penalties for criminal offenses related to money laundering are included in the Penal Code. Legal persons are not subject to criminal liability under the Penal Code. Vietnam currently has no plans to impose criminal liability on legal persons because of perceived conflicts with

fundamental principles of domestic law. Vietnam should remedy this gap to be in full conformance with international standards.

While the GOV has criminalized terrorist financing, identified gaps remain, in particular related to collection and provision of funds for specific terrorist acts and the ability to freeze funds used for terrorist financing. Vietnam does not have a comprehensive system for implementing UNSCRs 1267 or 1373 and lacks a system for freezing terrorist assets in accordance with these resolutions.

While currency transaction reports appear to be required, there are no implementing regulations and no large transaction reports are filed. In practice, the Anti-Money Laundering Department (AMLD) of the State Bank of Vietnam appears to receive little of the financial and suspicious transaction report (STR) information required by decree. Given the size of Vietnam's economy, the number of reports received is low and suggests a correspondingly low level of STR compliance. All STRs are received in paper form. The AMLD claims to have an electronic database and electronic analysis system, but international officials have not seen evidence of an electronic system for sharing information with domestic law enforcement authorities to help investigate and prosecute money laundering, trade fraud, and financial crimes. Moreover, while the GOV claims that information exchanges have occurred with several foreign financial intelligence units (FIUs), these appear to involve receipt rather than provision of information. While the GOV regulates customer identification and the collection of customer details and documents, it does not explicitly require verification of a customer's identity, unless the financial institution becomes "suspicious." There are implementing circulars promulgated by regulatory bodies which include provisions for enhanced due diligence, including verification of identity in situations where such verification is required. A State Bank of Vietnam Circular addresses politically exposed persons (PEPs); however, this circular applies only to entities regulated by the State Bank of Vietnam.

Vietnam should implement the AML law and criminalize money laundering according to international standards. The GOV also should complete drafting its anti-terrorism law and comprehensively criminalize terrorist financing. Vietnam should continue to work to implement its action plan to address recognized deficiencies.

On June 8, 2012, the GOV became a party to the UN Convention against Transnational Organized Crime.

## Yemen

Yemen is not considered a regional financial center. The financial system in Yemen is not well developed and the extent of money laundering is not known. Government corruption, substantial politicization of government institutions, a largely cash-based economy, and lax government enforcement of existing laws and regulations render Yemen vulnerable to money laundering and other financial abuses—including possible terrorist financing. Yemen has a large underground economy due, in part, to the profitability of the smuggling of trade goods and contraband. Criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks, and, possibly, terrorist groups, operating locally, although the

extent is unknown. There have been a number of U.S. investigations of khat being smuggled from Yemen and East Africa into the United States with profits laundered and repatriated via hawala networks.

Yemen has a free trade zone (FTZ) in the port city of Aden. Identification requirements within the FTZ are enforced. Truckers must file the necessary paperwork in relevant trucking company offices and must wear ID badges. FTZ employees must undergo background checks by police, the Customs Authority and employers. There is no evidence the FTZ is being used for trade-based money laundering or terrorist financing schemes. Transparency International lists Yemen as 156 out of 174 on its 2012 Corruption Perception Index.

Yemen is included in the October 2012 Financial Action Task Force (FATF) Public Statement because it has not made sufficient progress in implementing its action plan and continues to have certain strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, including the inadequate criminalization of money laundering and terrorist financing, the inability to freeze terrorist assets, and the lack of capacity of supervisory entities and the financial intelligence unit (FIU).

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** YES
***KYC covered entities:*** Banks, exchange companies, insurance companies, fund transfer companies, General Post and Postal Savings Authority, real estate agents, gold or precious metal dealers, public notaries, lawyers, accountants, financial and investment services companies, various government ministries such as the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 89 in 2012
***Number of CTRs received and time frame:*** 0 in 2012
***STR covered entities:*** Banks, exchange companies, insurance companies, fund transfer companies, General Post and Postal Savings Authority, real estate agents, gold or precious metal dealers, public notaries, lawyers, accountants, financial and investment services companies, various government ministries such as the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***
***Prosecutions:*** 0 in 2012
***Convictions:*** 0 in 2012

***RECORDS EXCHANGE MECHANISM:***
***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO
***With other governments/jurisdictions:*** 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 mutual evaluation can be found here:
http://www.menafatf.org/images/UploadFiles/MER_Republic_of_Yemen.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Yemen's law 1/2010, "On Combating Money Laundering and Financing of Terrorism," requires a number of businesses to file STRs with the FIU. The FIU has promulgated regulations pursuant to this law; however, in practice, compliance is limited. Financial institutions are subject to regulations and limited monitoring by the Central Bank of Yemen (CBY). There are approximately 532 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.

The FIU has 11 employees. It has no computerized database and is not networked to other government or regional financial data systems. The FIU needs substantial improvement of its operational capacity to effectively fulfill its responsibilities. In 2012, the FIU pursued and participated in training to enhance its operational capacity. Additional training is planned.

Law enforcement as well as border control agencies are not proactive or prevention oriented with regard to money laundering issues. Yemen has a cross-border cash declaration or disclosure requirement for cash amounts over $15,000. Compliance is lax and customs inspectors do not routinely file currency declaration forms if funds are discovered.

## Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and money derived from public corruption are the major sources of laundered funds. Human trafficking is also a problem. Banks, real estate agents, insurance companies, casinos, and law firms are the institutions most commonly used to launder money. Money launderers in Zambia have used structuring, currency exchanges, monetary instruments, gambling, under-valuing assets, and front businesses to launder their proceeds. Other means include securities, debit/credit cards, bulk cash smuggling, wire transfers, and false currency reporting. Further, some criminals use their proceeds to purchase luxury goods such as vehicles and real estate.

Zambia is not considered an offshore center. The government of Zambia (GOZ) is currently developing a number of multi-facility economic zones that are similar to free trade zones.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO
***KYC covered entities:*** Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available
***Number of CTRs received and time frame:*** Not applicable
***STR covered entities:*** Commercial and development banks, building societies and micro-finance entities, savings and credit institutions, money exchanges and remitters, securities firms, insurance companies, venture capital and pension funds, leasing companies and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/reports/me.php

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Prevention and Prohibition of Money Laundering Act (PPMLA) does not expressly set out any direct customer identification obligation, but it does indirectly require identification of customers as part of its requirement to document transactions. The PPMLA applies to all

regulated entities, to include any institution regulated by any supervisory institution of the Zambian Government, including, but not limited to, 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. The Bank of Zambia Anti-Money Laundering Directives of 2004 provide a direct customer identification obligation, which is applied flexibly to avoid financial exclusion in rural areas. Zambian banks also have voluntarily adopted KYC rules.

The financial intelligence unit (FIU), created in 2010, has received little government funding and has just begun operations. The FIU board was constituted in November 2012 and is now housed at the Bank of Zambia headquarters. The FIU has received some assistance from international donors and continues to look for capacity building and financial support. Most money laundering crimes are prosecuted through the Drug Enforcement Commission. Like much of the Zambian government, authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources and capacity.

In May 2012, the GOZ enacted Statutory Instrument (SI) 33, prohibiting the use of foreign currencies in domestic transactions. While not targeted at money laundering, SI 33 is expected to aid enforcement by making international money laundering easier to identify. In addition, effective January 1, 2013, Zambia will begin the transition to a rebased local currency, the kwacha, including additional security features. This is expected to aid anti-money laundering enforcement by making concealed funds worthless after the new currency phase-in period.

The GOZ should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

## Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and official corruption. Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and investigators and limited asset-seizure authority. These deficiencies expose the country to money laundering abuses, but there are no data on the extent of money laundering in Zimbabwe. The exposure is greatest within the financial sector, which includes both formal and informal institutions. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Financial crime may also be magnified by efforts by the Government of Zimbabwe (GOZ) to sell diamonds through sanctions-skirting approaches including high-value cash transactions and obfuscating actual entities involved in electronic financial transactions.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The GOZ's switch to this "multi-currency regime" dramatically reduced opportunities for money laundering and financial crime arising from the multiple exchange rates and opaque foreign exchange controls that were in place until 2009. Legislators from all parties in the coalition government have increased scrutiny of government activities, and ministers from former opposition parties have pushed for further reforms. For example, the parliamentary

committee on mining has held officials to account for GOZ actions in the Marange diamond fields. As a result, the Ministry of Finance promised to tighten controls by introducing a Diamond Act and to enhance the revenue authority's oversight on production and sale of diamonds. Ultimate responsibility for the Diamond Act lies with the Ministry of Mines and Mining Development, and a draft Act has not yet been produced. In addition, the minister of finance implemented a new law to improve accountability at the Reserve Bank of Zimbabwe.

The United States, Canada, Australia, and the European Union have imposed targeted financial sanctions and travel restrictions on political leaders and a limited number of companies and state-owned enterprises believed to have been complicit in human rights abuses and undermining institutions and processes in Zimbabwe.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES
***KYC covered entities:*** Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 187: January 1 - November 5, 2012
***Number of CTRs received and time frame:*** Not available
***STR covered entities:*** Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

AML legislation is sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's anti-money laundering mechanisms.

Zimbabwe has developed an action plan to address its strategic anti-money laundering/counter-terrorist financing deficiencies. Zimbabwe now has a fully operational and functioning financial intelligence unit. The GOZ, however, still needs to adequately criminalize money laundering and terrorist financing, and establish and implement procedures to adequately identify and freeze terrorist assets to effectively implement UNSCRs 1267 and 1373.

Law enforcement and regulatory agencies lack the resources to effectively combat money laundering. Zimbabwe has criminalized money laundering and put in place mechanisms for freezing and forfeiting assets; however, deficiencies remain in being able to do so in a timely manner. The banking system can quickly freeze accounts, but financial institutions typically receive information related to designations from private sources and not government agencies. Zimbabwe has broad legislation on mutual legal assistance in both civil and criminal cases. In general, there are no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense. However, mutual legal assistance is only available for the investigation and prosecution of money laundering offenses but not for terrorist financing. There were a number of prosecutions and convictions between January and November 2012, although exact figures are not available because of the lack of a centralized system for compiling and collating the information.

The GOZ should adequately criminalize money laundering and terrorist financing; ensure obliged entities comply with STR filing requirements; establish and implement adequate procedures to identify and freeze terrorist assets, which includes implementing its obligations under UNSCRs 1267 and 1373; become a party to the International Convention for the Suppression of the Financing of Terrorism; ensure a fully operational and effectively functioning financial intelligence unit; and enact and implement appropriate mutual legal assistance legislation.