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*Bureau for International Narcotics and Law  
Enforcement Affairs*

# **International Narcotics Control Strategy Report**

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Volume II  
Money Laundering  
and Financial Crimes

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# Table of Contents

## Volume II

<b>Legislative Basis for the INCSR</b> .....	<b>3</b>
Major Money Laundering Countries in 2004 .....	4
<b>Introduction</b> .....	<b>4</b>
<b>Money Laundering and Terrorist Financing—A Global Threat</b> .....	<b>7</b>
Money Laundering and Terrorist Financing: Differences and Similarities .....	7
Funding Sources .....	7
Movements of Criminal and Terrorist Funds .....	8
Combating Money Laundering and Terrorist Financing: An Integrated Approach .....	8
Integrating Efforts .....	9
<b>Trade Transparency Units</b> .....	<b>10</b>
<b>Law Enforcement Cases</b> .....	<b>12</b>
<b><i>Trade-Based Money Laundering</i></b> .....	<b>12</b>
Money Laundering via Gold Smuggling .....	12
Smuggling Freon and Tax Evasion: Businessman Laundered Profits through Panamanian Accounts and Shell Corporations.....	13
Black Market Peso Investigation Nabbed Prominent Colombian Businessman.....	13
Commodity Overvaluation to Hide Tax Fraud.....	13
<b><i>Bulk Cash Movements</i></b> .....	<b>14</b>
Smuggling Drug Cash from U.S. to Mexico: Operation Money Clip .....	14
<b><i>Politically Exposed Persons and Money Laundering</i></b> .....	<b>14</b>
Money Laundering and Political Corruption: Prosecution of Former Ukrainian Prime Minister.....	14
Asset Forfeiture and Foreign Official Corruption: Repatriation of Funds to Peru and Nicaragua.....	15
<b><i>Terrorist Financing</i></b> .....	<b>15</b>
Fronting for Hamas: the Holy Land Foundation .....	15
Oregon Charitable Organization Supported Chechnyan Terrorists .....	16
Narcoterrorism: Arms for the FARC .....	16
<b><i>Human Trafficking and Related Cases and Money Laundering</i></b> .....	<b>16</b>
Adoption Agency Used Cambodian Children in Immigration Fraud and Money Laundering Scheme.....	16
Hawala Dealer Arrested for Facilitating Alien Smuggling Ring.....	17
Money Laundering and Forced Prostitution .....	17
<b><i>Fraud and Money Laundering</i></b> .....	<b>18</b>
Australian Investor Fraud Scheme.....	18
Tax Evasion Scheme Uses Antigua Offshore Bank.....	18
<b><i>Internet Gambling</i></b> .....	<b>19</b>
IRS-CID seizes millions in offshore gaming investigation involving Antigua and Belize .....	19
<b>Bilateral Activities</b> .....	<b>19</b>
<b><i>Training and Technical Assistance</i></b> .....	<b>19</b>
<b><i>Department of State</i></b> .....	<b>19</b>
International Law Enforcement Academies (ILEAs) .....	21
<b><i>Board of Governors of the Federal Reserve System (FRB)</i></b> .....	<b>23</b>
<b><i>Drug Enforcement Administration (DEA)</i></b> .....	<b>23</b>

<i>Federal Bureau of Investigation (FBI)</i> .....	<b>23</b>
<i>Federal Deposit Insurance Corporation (FDIC)</i> .....	<b>24</b>
<i>Financial Crimes Enforcement Network (FinCEN)</i> .....	<b>24</b>
<i>Internal Revenue Service (IRS)</i> .....	<b>26</b>
<i>Office of the Comptroller of the Currency (OCC)</i> .....	<b>27</b>
<i>Overseas Prosecutorial Development Assistance and Training &amp; the Asset Forfeiture and Money Laundering Section (OPDAT and AFMLS)</i> .....	<b>28</b>
<i>Office of Technical Assistance (OTA)</i> .....	<b>31</b>
<b>Treaties and Agreements</b> .....	<b>33</b>
<b>Multilateral Activities</b> .....	<b>34</b>
<b><i>United Nations</i></b> .....	<b>34</b>
United Nations Security Council Resolutions.....	34
United Nations Security Council Resolution 1373 .....	35
UN International Convention for the Suppression of the Financing of Terrorism .....	35
UN Convention Against Transnational Organized Crime .....	36
UN Convention Against Corruption.....	36
<b><i>The Financial Action Task Force</i></b> .....	<b>36</b>
Non-Cooperative Countries and Territories (NCCT) Exercise .....	37
Revision of the FATF Forty Recommendations on Money Laundering .....	37
Combating the Financing of Terrorism.....	38
The FATF and the International Financial Institutions .....	38
The FATF 2004 Typologies Exercise.....	39
<b><i>FATF-Style Regional Bodies (FSRBs)</i></b> .....	<b>39</b>
Asia/Pacific Group on Money Laundering.....	39
Caribbean Financial Action Task Force .....	39
Council of Europe MONEYVAL.....	40
Eastern and Southern African Anti-Money Laundering Group .....	40
Eurasian Group on Combating Money Laundering and Financing of Terrorism .....	40
Financial Action Task Force Against Money Laundering in South America .....	41
Middle East and North African Financial Action Task Force.....	41
Inter-Governmental Action Group Against Money Laundering.....	41
<b>Other Multi-Lateral Organizations &amp; Programs</b> .....	<b>42</b>
<b><i>Caribbean Anti-Money Laundering Programme</i></b> .....	<b>42</b>
<b><i>The Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Group of Experts to Control Money Laundering</i></b> .....	<b>43</b>
<b><i>The Egmont Group of Financial Intelligence Units</i></b> .....	<b>44</b>
<b><i>Pacific Islands Forum</i></b> .....	<b>46</b>
<b><i>United Nations Global Programme Against Money Laundering</i></b> .....	<b>46</b>
<b>Major Money Laundering Countries</b> .....	<b>49</b>
<b><i>Country/Jurisdiction Table</i></b> .....	<b>53</b>
<b><i>Comparative Table</i></b> .....	<b>56</b>
<b>Country Reports</b> .....	<b>65</b>
Afghanistan .....	65
Albania .....	67
Algeria .....	70
Andorra.....	71
Angola .....	73

## Table of Contents

---

Anguilla.....	74
Antigua and Barbuda .....	75
Argentina.....	77
Armenia.....	80
Aruba.....	82
Australia .....	84
Austria .....	87
Azerbaijan .....	90
Bahamas .....	92
Bahrain.....	94
Bangladesh.....	97
Barbados.....	99
Belarus.....	101
Belgium.....	103
Belize.....	106
Benin.....	109
Bermuda.....	109
Bolivia.....	113
Bosnia and Herzegovina.....	116
Botswana.....	119
Brazil.....	121
British Virgin Islands.....	125
Brunei.....	126
Bulgaria.....	127
Burkina Faso.....	131
Burma.....	131
Burundi.....	133
Cambodia.....	133
Cameroon.....	136
Canada.....	137
Cape Verde.....	139
Cayman Islands.....	140
Chad.....	141
Chile.....	142
China, People’s Republic of.....	144
Colombia.....	148
Comoros.....	152
Congo, Democratic Republic of.....	153
Congo, Republic of.....	154
Cook Islands.....	155
Costa Rica.....	158
Côte d’Ivoire.....	159
Croatia.....	161
Cuba.....	164
Cyprus.....	165
Czech Republic.....	170
Denmark.....	173
Djibouti.....	174
Dominica.....	175
Dominican Republic.....	178
East Timor.....	180
Ecuador.....	180
Egypt, The Arab Republic of.....	182
El Salvador.....	185
Equatorial Guinea.....	188
Eritrea.....	189

Estonia .....	190
Ethiopia .....	192
Fiji .....	192
Finland .....	194
France .....	196
Gabon .....	199
The Gambia .....	199
Georgia .....	200
Germany .....	203
Ghana .....	206
Gibraltar .....	207
Greece .....	208
Grenada .....	211
Guatemala .....	213
Guernsey .....	217
Guinea .....	220
Guinea-Bissau .....	220
Guyana .....	221
Haiti .....	222
Honduras .....	224
Hong Kong .....	228
Hungary .....	233
Iceland .....	236
India .....	238
Indonesia .....	241
Iran .....	244
Iraq .....	245
Ireland .....	246
Isle of Man .....	248
Israel .....	251
Italy .....	253
Jamaica .....	256
Japan .....	258
Jersey .....	261
Jordan .....	263
Kazakhstan .....	263
Kenya .....	265
Korea, Democratic Peoples Republic of .....	266
Korea, Republic of .....	267
Kuwait .....	270
Kyrgyz Republic .....	273
Laos .....	274
Latvia .....	275
Lebanon .....	279
Lesotho .....	282
Liberia .....	283
Liechtenstein .....	284
Lithuania .....	288
Luxembourg .....	291
Macau .....	295
Macedonia .....	299
Madagascar .....	300
Malawi .....	301
Malaysia .....	302
The Maldives .....	306
Mali .....	306

## Table of Contents

---

Malta.....	308
Marshall Islands.....	310
Mauritania.....	312
Mauritius.....	313
Mexico.....	314
Micronesia.....	318
Moldova.....	319
Monaco.....	321
Mongolia.....	323
Montserrat.....	325
Morocco.....	326
Mozambique.....	328
Namibia.....	330
Nauru.....	331
Nepal.....	333
The Netherlands.....	334
Netherlands Antilles.....	338
New Zealand.....	340
Nicaragua.....	341
Niger.....	342
Nigeria.....	343
Niue.....	346
Norway.....	347
Oman.....	349
Pakistan.....	351
Palau.....	353
Panama.....	355
Papua New Guinea.....	358
Paraguay.....	358
Peru.....	363
Philippines.....	367
Poland.....	369
Portugal.....	372
Qatar.....	375
Romania.....	377
Russia.....	381
Rwanda.....	386
Samoa.....	387
San Marino.....	389
Sao Tome and Principe.....	389
Saudi Arabia.....	390
Senegal.....	392
Serbia and Montenegro.....	394
Seychelles.....	400
Sierra Leone.....	401
Singapore.....	402
Slovak Republic.....	406
Slovenia.....	409
Solomon Islands.....	411
South Africa.....	411
Spain.....	413
Sri Lanka.....	416
St. Kitts and Nevis.....	418
St. Lucia.....	419
St. Vincent and the Grenadines.....	421
Suriname.....	423

Swaziland .....	425
Sweden .....	426
Switzerland .....	427
Syria .....	432
Taiwan .....	434
Tajikistan .....	437
Tanzania .....	438
Thailand .....	440
Togo .....	444
Tonga .....	445
Trinidad and Tobago .....	445
Tunisia .....	447
Turkey .....	449
Turkmenistan .....	452
Turks and Caicos .....	454
Uganda .....	456
Ukraine .....	457
United Arab Emirates .....	462
United Kingdom .....	467
Uruguay .....	469
Uzbekistan .....	471
Vanuatu .....	475
Venezuela .....	477
Vietnam .....	480
Yemen .....	482
Zambia .....	484
Zimbabwe .....	484



## Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
CFATF	Caribbean Financial Action Task Force
CTF	Counter-Terrorist Financing
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
GAFISUD	Financial Action Task Force Against Money Laundering In South America
GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
IFI	International Financial Institution
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service, Criminal Investigative Division
MENAFATF	Middle Eastern and Northern African Financial Action Task Force
MLAT	Mutual Legal Assistance Treaty
MOU	Memorandum of Understanding
NCCT	Non-Cooperative Countries or Territories
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFC	Offshore Financial Center
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
UN Drug Convention	1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPMML	United Nations Global Program against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
USAID	Agency for International Development
USG	United States Government



# MONEY LAUNDERING AND FINANCIAL CRIMES

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The 2005 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. A principal contributor is the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN), which, as a member of the international Egmont Group of Financial Intelligence Units, has unique strategic and tactical perspective on international anti-money laundering developments. FinCEN is the primary contributor to the individual country summaries and the suspicious activity report analyses. Other key contributors are the U.S. Department of Justice's Asset Forfeiture and Money Laundering Section of Justice's Criminal Division, for its central role in constructing the Money Laundering and Financial Crimes Comparative Table and its role in providing international training, as well as the Office of Counterterrorism, that provided law enforcement case data. Many agencies provided information on international training, technical and other assistance and/or law enforcement cases including the Department of Homeland Security's Bureau of Immigration and Customs Enforcement; Justice's Drug Enforcement Administration, Federal Bureau of Investigation, and the Office for Overseas Prosecutorial Development Assistance; Treasury's Internal Revenue Service, the Office of the Comptroller of the Currency, and the Office of Technical Assistance. Also providing information on training and technical assistance are independent regulators, the Federal Deposit Insurance Corporation and the Federal Reserve Board.



## **Legislative Basis for the INCSR**

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2005 INCSR is the nineteenth annual report prepared pursuant to the FAA. In addition to addressing the reporting requirements of section 489 of the FAA (as well as sections 481(d)(2) and 484(c) of the FAA and section 804 of the Narcotics Control Trade Act of 1974, as amended), the INCSR provides the factual basis for the designations contained in the President's report to Congress on the major drug-transit or major illicit drug producing countries initially set forth in section 591 of the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115) (the "FOAA"), and now made permanent pursuant to section 706 of the Foreign Relations Authorization Act, Fiscal Year 2003, (P.L. 107-228)(the "FRAA").

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

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2005 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR is also required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(c)). This report is that section of the INCSR that reports on money laundering and financial crimes.

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

## Major Money Laundering Countries in 2004

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

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

## Introduction

Following the money as a way of combating crime and terrorism continues to require nimble action by authorities to keep pace with the alternative methods of operations criminals and terrorists seek to employ to acquire and move their funds. The closer we looked at banks, the faster the money seemed to shift to non-traditional money movers—gem and jewelry dealers, real estate, charities, and attorneys or other intermediaries. As these entities were brought under the purview of anti-money laundering laws and regulations, the money moved further underground—to alternative remittance systems such as hawala, trade or commodity based systems, or to cash couriers. In 2004, we came to more fully understand the workings of those methods and to realize that we must concentrate increasingly on the workings of these hard-to-detect systems. The challenges presented by the use of these methods are influencing the responses of authorities worldwide with regard to setting of standards, training, institution building, data collection, and investigations.

The use of these underground systems reflects the strides the international community has made since 9/11 in intensifying its efforts to develop coordinated, targeted actions to thwart money laundering and terrorist financing. By the end of 2004, important gains had been made across all fronts. Stronger international anti-money laundering and counterterrorist financing standards focused on banks and financial intermediaries were in effect in more countries. The countries most vulnerable to terrorist financing were well on their way to receiving technical assistance packages to develop comprehensive anti-money laundering regimes to eliminate vulnerabilities. Twenty-six additional countries criminalized terrorist financing in 2004, bringing the total number of countries that have criminalized terrorist financing to 113. As of December 2004, there were 94 financial intelligence units in the Egmont Group, an increase of ten new members in the past year. Intelligence led to the identification and subsequent investigation of key criminals and terrorists or terrorist supporters. And scarce assistance assets also were used more efficiently; burden sharing among our allies in the donor community expanded and reliance on regionally focused training programs grew.

Because criminals or terrorists cannot now move or acquire funds through formal channels as easily as they did before, they are seeking alternative laundering and financing methods to undermine international efforts and overcome the law enforcement and regulatory obstacles placed in their paths. Evidence of this search can be seen as investigation after investigation reveals the increasingly important role of “alternative remittance systems”—hawalas, the black market peso exchange, various charitable organizations, and trade-based money laundering—in facilitating transnational crime and terrorism. Charities are typically not subject to adequate oversight or regulation and have been cited in several transnational terrorist financing investigations as the intermediaries through which funds are moved. Trade-based money laundering, often based simply on the alteration of shipping documents or invoices, is frequently undetected unless jurisdictions work together to share information and compare

documentation. Couriers are devising new ways to conceal currency and easily transportable high-value items such as gems to carry them across borders. Our efforts in the next few years must be geared toward fully understanding these mechanisms and developing tools to prevent their use.

The Financial Action Task Force (FATF) continued to provide critical guidance on the development of comprehensive regimes to attack the full range of financial crime. The FATF added a ninth Special Recommendation on Terrorist Financing, addressing the problem of cash couriers. It also continued its efforts to clarify and refine these Special Recommendations by publishing interpretive notes and best practices guidelines to help regulators, enforcers, financial institutions and others better understand and implement the most technical Recommendations. The FATF also continued to work closely with the IMF and World Bank to develop a common methodology to incorporate FATF's Recommendations into the financial sector reviews all three entities undertake. The FATF-style regional bodies worked throughout the year to adopt the Recommendations in line with their particular regional requirements. The FATF welcomed two new FATF-style regional bodies in 2004, the Eurasian Group, with six members including Russia and China, and the Middle Eastern North African Group, with 14 members. The addition of these two new groups brings the total number of countries participating in the FATF-initiated process to more than 150.

The FATF sustained the behavior-changing pressure of its Non-cooperative Countries and Territories (NCCT) process. Of the 23 jurisdictions the FATF has designated as NCCTs over the past six years, only six remained on the list as of the end of 2004. The threat of countermeasures has motivated countries to improve their compliance, and the provision of assistance from major donors has helped countries pass legislation and establish anti-money laundering and counterterrorist financing regimes that meet international standards.

The United States remains particularly concerned about terrorist financing activity in a core set of approximately two- dozen countries around the world. Accordingly, the bulk of U.S. anti-money laundering technical assistance is focused on making these countries less vulnerable to the terrorist financing threat. The U.S. State Department is funding most of this interagency effort and is coordinating and leading the undertaking of technical assistance. So far, the Department has led comprehensive vulnerability and needs assessments of, and produced training and technical assistance implementation plans for, the most vulnerable of countries. Assistance is being provided to 22 of these priority countries. The program takes a systemic and comprehensive approach, with assistance delivered in both sequential and parallel stages to help countries do the following: put in place anti-money laundering/counterterrorist financing laws that include measures to block and freeze assets and comply with the FATF's Special Recommendations; establish a regulatory scheme to oversee the financial sector; provide law enforcement agencies, prosecutors and judges with the training and skills to successfully investigate and prosecute financial crime; and create a Financial Intelligence Unit (FIU) capable of collecting, analyzing and disseminating reports of suspicious transactions and other intelligence to both help develop cases domestically and share information internationally through FIUs in other countries as part of transnational investigations.

Not all of the assistance is provided bilaterally. The United States supports a number of regional training programs around the world in which officials from neighboring countries are brought together for specialized anti-money laundering and counterterrorist financing training. The global network of International Law Enforcement Academies (ILEAs), funded and managed by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), has enhanced its anti-money laundering curricula, including the incorporation of new segments on terrorist financing. The State Department's Anti-terrorist Assistance (ATA) Program similarly includes terrorist financing segments in the curricula it delivers at various counterterrorism training centers around the world. These and other broad-based training initiatives allowed the U.S. to provide some form of anti-money laundering or counterterrorist financing assistance to over 120 countries in 2004.

International efforts to identify, block, and freeze terrorist assets persisted in 2004; however, the task is growing more challenging as terrorists move away from the formal financial sector and into informal and underground systems to protect their funds. Evidence of this movement is reflected in the U.S. Treasury report that, in 2004, some \$9 million worth of terrorist assets worldwide were blocked. Since the concentrated effort began shortly after September 11, 2001, 45 countries have blocked a total of approximately \$147 million.

A movement away from the formal financial sector is a major factor in the slower pace of asset freezes in 2004. Terrorist organizations appear to be making more use of couriers to carry currency, gems and other easily transportable, high-value items; traditional, ethnic-based alternative remittance systems; and charities. Identifying and tracking funds through these alternative networks—a tough enough assignment even for countries with sophisticated anti-money laundering regimes—is a staggering challenge for many of the key terrorist financing countries who are only now beginning to develop competent anti-money laundering institutions. The FATF has sought to help overcome this challenge by issuing various interpretative notes and best practices guidelines for its Special Recommendations dealing with charities, cash couriers and the blocking and freezing of assets. Indeed, at its 2004 annual typologies exercise, which addressed such issues as money laundering trends and best practices in the areas of law enforcement and regulation, the FATF focused on alternative remittance systems, particularly the challenge of tracking and monitoring funds when they are moved in areas that depend on cash economies and in systems with no formal accounting or record keeping infrastructure.

Important substantive strides were made with regard to international burden sharing. The proliferation of attacks around the world brought the threat of terrorism home to more and more countries and underscored the fact that no one country has the sole ability or responsibility to meet the entire challenge. U.S. technical experts are particularly stretched because of their frequent need to undertake, nearly simultaneously, assessment, training, and investigative missions. We have worked particularly closely with the United Kingdom, Australia, Japan, the UN Global Programme against Money Laundering, the OAS, the Asia Development Bank, the IMF and the World Bank on regional and country-specific projects as a way of sharing resources. Efforts to identify priorities and coordinate assistance by the major donor countries took a step forward at the June 2003 G-8 Summit with the establishment of the Counter-Terrorism Action Group (CTAG). The CTAG members have demonstrated a willingness and ability to provide counterterrorism assistance. The CTAG has partnered with the FATF, providing that organization with a list of countries to which CTAG members are interested in providing counterterrorist financing assistance, so that the FATF could assess their counterterrorist financing technical assistance needs. The FATF delivered those assessments to the CTAG in 2004, and the donors are now beginning to follow through with coordinated, cost-saving counterterrorism technical assistance programs.

As we look beyond the accomplishments of 2004, we see that our task to combat money laundering and terrorist financing is ongoing. There remain significant challenges in keeping abreast of the new methods and systems criminals and terrorists use to hide and move their money. This will press intelligence collection and criminal investigation skills to their limits as they struggle to be effective in very closed, often hostile foreign environments. One of the means being considered to attack this challenge is the creation of an international network of Trade Transparency Units (TTUs). Patterned after the international network of financial intelligence units that, among other missions, collect, analyze and disseminate information on suspicious transactions, the TTUs would similarly focus on detecting anomalies in trade data—such as deliberate over- and under-invoicing—that can be a powerful predictor of trade-based money laundering. By focusing on commodities that often serve as stores-of-value and are used to settle accounts without involving the formal financial sector, such as gold and precious gems, the TTUs would get to the heart of much of the alternative remittance challenge and help expose criminals, terrorists, and their associates and assets to punitive and deterrent enforcement



action. Brazil, Panama and the Philippines have expressed interest in TTUs and are working with the Department of Homeland Security to move this effort forward.

Sustained efforts will be essential to realizing further progress against money laundering and terrorist financing. Such progress will continue to require strong and creative leadership from the United States. But we have help. The international community is increasingly willing to cooperate in this fight—to comply with the measures needed to block, deter, and expose money laundering and terrorist financing, and to provide the assistance needed to turn the political will to comply into the operational ability to enforce the laws and regulations that lead to the confiscation of crime and terrorist-related assets and the prosecution and conviction of money launderers and terrorist financiers.

## **Money Laundering and Terrorist Financing—A Global Threat**

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

After the terrorist attacks of September 11, 2001, the United States and its allies launched a global war on terror focused on five fronts: diplomatic, financial, military, intelligence, and law enforcement. The United States and the global community quickly recognized the critical role that combating terrorist financing should play in the overall global effort against terrorism.

### **Money Laundering and Terrorist Financing: Differences and Similarities**

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

### **Funding Sources**

Transnational organized crime groups have long relied on criminal proceeds to fund and expand their operations, and were pioneers in using corporate structures to commingle funds to disguise their origin. It is the terrorists' use of social and religious organizations, and to a lesser extent, state sponsorship, that differentiates their funding sources from those of traditional transnational organized criminal groups. While actual terrorist operations require only comparatively modest funding, international terrorist groups need significant amounts of money to organize, recruit, train and equip new adherents, and otherwise support their activities.

Because of these larger organizational costs, terrorists often finance their terrorism efforts with a portion of the proceeds gained from traditional crimes such as kidnapping for ransom, narcotics trafficking, extortion, credit card fraud, counterfeiting, and smuggling. Indeed, some Foreign Terrorist Organizations (FTOs), such as the Revolutionary Armed Forces of Colombia, (FARC), the United Self Defense Forces of Colombia (AUC) and Sendero Luminoso (Shining Path) in Peru, are so closely linked to the narcotics trade that they are often referred to as “narcoterrorists.”

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

### **Movements of Criminal and Terrorist Funds**

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

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

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

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

Some terrorist groups may also use Islamic banks to move funds. Islamic banks operate within Islamic law, which prohibits the payment of interest and certain other activities. They have proliferated throughout Africa, Asia, the Middle East, and most recently Europe, since the mid-1970s. Many of these banks are not subject to the anti-money laundering regulations and controls normally imposed on secular commercial banks. While they may voluntarily comply with banking regulations, and in particular, anti-money laundering guidelines, there is often no control mechanism to assure such compliance or the implementation of updated anti-money laundering policies.

### **Combating Money Laundering and Terrorist Financing: An Integrated Approach**

Building the capacity of our coalition partners to combat money laundering and terrorist financing through cooperative efforts, and through training and technical assistance programs, is critical to our national security. While there are some important differences between how money laundering and

# Money Laundering and Financial Crimes

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terrorist financing are conducted, and also some counter efforts that are unique to each activity, there are no appreciable differences in terms of capacity building through training and technical assistance.

The U.S. has developed an “anti-money laundering/counterterrorist financing” (AML/CTF) strategy based on three pillars:

- Development of capacity-building programs aimed at reinforcing the institutions of our foreign allies to combat money laundering and terrorist financing. Capacity building is the linchpin of the strategy because of its forward-looking and preventative approach that focuses on enhancing countries’ capabilities to safeguard their financial systems from abuse by criminals and terrorist financiers.
- The use of traditional and non-traditional law enforcement techniques and intelligence operations aimed at identifying criminals and terrorist financiers and their networks in order to disrupt and dismantle their organizations. Such efforts include investigations, diplomatic actions, criminal prosecutions, designations and other actions designed to identify, nullify, and disrupt the flow of terrorist financing and those who make such crimes possible. In order to achieve ultimate results, the intelligence community, law enforcement and the diplomatic corps must assert a concerted proactive approach that develops and exploits investigative leads, employs advanced law enforcement techniques and increases cooperation between financial investigators and prosecutors.
- Participation in global efforts to deter terrorist financing by publicly naming, shaming, and blocking the assets, financial transactions, and property of terrorist groups and their supporters. Under United Nations Security Council Resolutions (UNSCR) 1333 and 1373 all member states have an obligation to identify terrorist assets and freeze them without delay. UNSCR 1267 and related resolutions require blocking actions against the financial resources, travel, and access to arms of specific individuals and entities linked to Usama bin Ladin, Al-Qaida, or the Taliban, as well as measures to deprive terrorists and their supporters of access to the financial system.

## Integrating Efforts

The U.S. has found that combining these pillars into an integrated strategy is the most effective approach to tackle the challenges of money laundering and terrorist financing. Only by integrating our AML/CTF efforts in a cooperative way, both domestically and internationally, can we continue our common goal of detecting, deterring, and dismantling global terrorist networks.

While well-established mechanisms of interagency cooperation to fight money laundering have existed for a number of years, in order to more quickly effect this integration within the U.S. Government for terrorist financing, the President established a Policy Coordination Committee (PCC) under the auspices of the National Security Council to ensure the proper coordination of counterterrorist financing activities and information sharing among all agencies. The PCC coordinates and integrates the efforts of the disparate entities and focuses them on collectively pursuing terrorists and their financiers. Other countries have also taken a similar approach at integrating AML/CTF efforts either through a coordinating ministry, national anti-money laundering council, or counterterrorist center.

Many governments have used specialized task forces to integrate successfully domestic operations aimed at combating money laundering and/or terrorist financing. These task forces typically include FIU personnel, financial investigators, central bank employees, and prosecutors. Indeed, the USG, based on its experience in training its counterparts around the world, is increasingly employing cross

training (e.g., select financial regulators taking part in financial investigative courses for law enforcement) as a means of encouraging practical integration of AML/CTF efforts.

Internationally, governments are recognizing the need to integrate their efforts more closely in order to implement new international standards designed to counter money laundering activity and the collection and movement of terrorists' funds. Effective integration will increase as members of the Financial Action Task Force (FATF) and FATF-style regional bodies implement the new Special Recommendation on Terrorist Financing, Special Recommendation IX (SR IX), which is intended to ensure that terrorists and other criminals can not finance their activities or launder the proceeds of their crimes through physical cross-border transportation of currency and negotiable bearer instruments. Implementing SR IX on Cash Couriers will require unprecedented cooperation among border, customs, law enforcement, and FIU authorities both domestically and internationally.

International organizations and bodies, as well, are increasing coordination of their AML/CTF efforts. For example, there is now unprecedented cooperation between the FATF and the IMF and World Bank. The FATF and these international financial institutions have adopted a joint methodology to evaluate AML/CTF regimes and are cooperating in their respective on-site assessment programs.

The FATF and the G-8 Counter-Terrorist Action Group (CTAG) are also engaging in a cooperative effort to build CTF capacity by integrating FATF training and technical assistance reports with efforts by CTAG to coordinate donor assistance. Other organizations, such as the United Nations, the Egmont Group of FIUs, the FATF style regional bodies, and regional organizations, such as the Organization of American States, are also increasing their cooperative efforts.

## **Trade Transparency Units**

For the past several decades, the United States has championed the concept of financial transparency in the formal financial sector, particularly banks, and most recently non-bank financial institutions. Working primarily with the Financial Action Task Force (FATF) and the FATF-style regional bodies, and exerting bi-lateral and regional leadership globally, the United States has helped create internationally recognized anti-money laundering programs, policies, and standards.

However, as entities in the formal financial sector are brought under the purview of anti-money laundering laws and regulations and illicit funds move further underground, we come to more fully understand the threats posed by financial flows outside the recognized formal financial sectors. Alternative remittance systems are able to bypass, in whole or part, regulations designed to make money laundering and financial crimes more transparent. Although there are a variety of alternative remittance systems, they all have one thing in common; they are dependent to various degrees on the misuse of international trade to transfer value.

Trade-based systems act as a kind of parallel method of transferring money and value around the world. The 2003 and 2004 editions of the INCSR have profiled the use and growing recognition of "trade-based" money laundering. Systems such as hawala, the black market peso exchange, and the use of commodities such as gold and diamonds are not captured by current financial reporting requirements. These systems pose tremendous challenges for law enforcement around the world. Moreover, many of these alternative remittance systems are indigenous and ethnic-based, making them even more difficult for U.S. investigators to understand, penetrate, and target. As the United States and other countries worldwide tighten financial regulation and reporting for the formal and even informal financial sectors, the use of trade-based money laundering and alternative remittance systems will assuredly grow. As in the past, when the United States advanced global financial transparency, today it is likewise essential that we work to establish an international mechanism capable of detecting

# Money Laundering and Financial Crimes

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trading anomalies that could point to fraudulent value transfer, money laundering, terrorist financing, and other financial crimes.

Customs and law enforcement experience has shown the best way to analyze and investigate suspect trade-based activity is to have systems in place that can monitor specific imports and exports to and from given countries. In fact, the former U.S. Customs Service (now the Bureau of Immigration and Customs Enforcement (ICE), in the Department of Homeland Security) pioneered this approach through its creation of a computer system that uses U.S. trade data, examines suspect anomalies, and identifies likely targets of investigation.

However, using U.S. data alone has its limitations. To maximize effectiveness, analysts need to compare corresponding trade data from other countries. If country X exports goods to country Y, in theory country X's export records regarding price, quantity, and general description should match (with some recognized variables) the corresponding import records of country Y. However, the analysis becomes increasingly complex if the trade goods are transshipped from country X to Y via Z. An additional challenge occurs for U.S. law enforcement when suspect trade does not enter into the commerce of the United States.

There is a growing worldwide recognition of entrenched patterns of trade fraud. For example, the Kimberley Process was created—in part—due to findings that conflict diamonds from non-diamond producing West African countries were being exported into Belgium. U.S. Customs has used this same technique of examining trade anomalies to combat the Colombia black market peso exchange, to examine suspect gold shipments from non-gold producing countries in the Caribbean, and to examine transshipped textiles from the Middle East. In these instances, Customs was able to match U.S. trade data with cooperating countries' trade data and look for suspicious indicators. In the case of Colombia, the examination of the trade data revealed the link between the drug cartels and the country's largest insurgency—the FARC.

Every country around the world collects the desired trade data. All countries have customs services and all countries impose tariffs and duties for revenue purposes. In fact, lesser-developed countries are dependent on customs duties to generate revenue. Although there are some differences in the way trade data is gathered and warehoused, disparate customs services worldwide are adopting uniform norms and standards. There is presently enough commonality among systems that specific and targeted trade transactions can be compared and examined for indications of customs fraud and other crimes using software pioneered by the former U.S. Customs and further refined by Department of Homeland Security's Bureau of Immigration and Customs Enforcement (DHS/ICE).

Borrowing from the successful Financial Intelligence Unit (FIU) model that examines suspect financial transactions, over the last two years the United States has studied the feasibility of establishing a prototype Trade Transparency Unit (TTU) that will collect and analyze suspect trade data and then disseminate findings for appropriate enforcement action. The objective is a new investigative tool to combat previously entrenched trade-based alternative remittance systems and customs fraud that eventually could result in a worldwide TTU network somewhat analogous to the Egmont Group of Financial Intelligence Units.

ICE, in cooperation with the U.S. Departments of State and Treasury, has begun a Trade Transparency Unit initiative. This initiative is designed to protect the integrity and security of the U.S. economy by targeting and eliminating systemic vulnerabilities in commercial trade and the financial and transportation sectors susceptible to exploitation by criminal and terrorist organizations. Under the auspices of trade transparency, ICE will form partnerships with participating foreign governments to establish a network of TTUs. The United States and foreign governments will create dedicated enforcement units to detect discrepancies or anomalies in international trade data, which may be indicative of trade-based money laundering or other criminal activities. TTUs will support investigations and prosecutions related to trade-based money laundering, the illegal movement of

criminal proceeds across international borders, alternative remittance systems, terrorist financing, and other financial and trade crimes.

To assist the proposed TTUs, ICE has developed an analytical database called “Data Analysis and Research for Trade Transparency” (DARTT), which is designed to detect and track money laundering, contraband smuggling and trade fraud. DARTT is an outgrowth of earlier analytical systems, which the former U.S. Customs Service and ICE had successfully used to detect trade-based money laundering and fraud. DARTT will allow investigators to identify discrepancies in trade and financial transactions, facilitating the dissemination of investigative referrals to field entities.

Under Plan Colombia, ICE formed the first TTU with the Government of Colombia. In furtherance of this trade transparency initiative, ICE is actively working with the Colombian TTU on several Black Market Peso Exchange (BMPE) investigations and has already demonstrated the links between the BMPE and the FARC. ICE has taken specific steps to improve the organizational infrastructure of DIAN, the Colombian customs and tax authority. These steps include a Mutual Assistance Agreement, which provides the framework for ICE and DIAN to share trade information. ICE has several initiatives incorporated into Plan Colombia targeting BMPE schemes. Dedicated funds have been allocated to temporarily assign agents and analysts in Colombia to assist DIAN in analyzing BMPE data to develop leads for ICE field offices. Additionally, computers and equipment have been purchased for DIAN to track imports/exports data. There are promising indications that the pioneering work of TTU development will begin to show specific results in 2005. Several countries have approached ICE to participate in the Trade Transparency Unit initiative. These countries include Brazil, Paraguay, Argentina, Panama, India and the Philippines. Additionally, the concept of Trade Transparency Units has been presented to several Eastern and Central European countries. The regionalization of TTUs will ultimately provide for the open exchange of trade data among participating countries and will play an increasingly important role in the global effort to thwart money laundering, international organized crime and terrorism.

## **Law Enforcement Cases**

### ***Trade-Based Money Laundering***

#### **Money Laundering via Gold Smuggling**

In August 2001, the ICE Boston office received information that narcotics traffickers were laundering drug proceeds through the smuggling of gold, which they had disguised as other commodities. ICE officers used the Data Analysis and Research for Trade Transparency (DARTT) database to corroborate the information and provide additional leads. The scheme centered on gold refineries located in the Northeastern United States. Investigators determined that narcotics traffickers were using a number of overvaluation schemes to move the gold into and out of the U.S. Overvaluation schemes, which are common in trade-based money laundering, allow a launderer to send excess funds overseas, while providing documents to conceal the nature of the criminal activity. On several occasions, the traffickers sent lead bars plated with gold to the refinery. Nevertheless, they invoiced these shipments as pure gold bullion. The false invoices allowed the launderers to send payments overseas for the “gold”, which greatly exceeded the shipments’ true values. In another variation of the overvaluation scheme, the traffickers shipped a commodity described as “slag,” which they invoiced at a very low value, to the U.S. refinery. This commodity was actually refinery waste mixed with pure gold. When the U.S. refinery received the slag, it melted the waste material down and extracted the gold, which constituted most of the weight and nearly all of the value of the shipment. The process resulted in a substantial transfer of value into the U.S. Finally, the traffickers also imported

commodities that they described as finished jewelry parts. In fact, these items were crude pieces that cost very little to manufacture, although their gold content was high. This method allowed the launderers to file fraudulent tax credit claims under the export laws of various South American countries, many of which provide tax credits for exporting a manufactured product. In August 2004, one U.S. refiner pleaded guilty to money laundering charges. The corporation received five years probation, a \$2.25 million fine and had to forfeit \$425,000.

### **Smuggling Freon and Tax Evasion: Businessman Laundered Profits through Panamanian Accounts and Shell Corporations**

In a joint investigation with the Environmental Protection Agency, the IRS-CID convicted a businessman of conspiracy to commit money laundering and to evade excise taxes on the sale of illegally imported freon. The businessman and his accomplices filed phony paperwork to conceal the sales of the freon to customers in south Florida. They also created and used domestic and foreign shell corporations and related bank accounts to conceal the proceeds of the illegal sales. The businessman laundered more than \$8 million in proceeds from the illicit sales by use of wire transfers through Panamanian corporations and bank accounts. He also diverted corporate income—disguised as loans—into bank accounts in Panama for the personal benefit of his co-conspirators. As a result of the scheme, between January 1993 and June 1994, the businessman evaded approximately \$6.2 million in excise taxes and also helped his co-conspirators allegedly to evade additional individual and corporate income taxes on the profits from the freon sales. The businessman received 17 years in prison, a \$20.3 million fine, and had to pay restitution to the IRS in the amount of \$6.5 million.

### **Black Market Peso Investigation Nabbed Prominent Colombian Businessman**

In May 2004, authorities in the United States, Colombia, Canada, and the United Kingdom announced the dismantling of a massive network that used the Black Market Peso Exchange (BMPE) system to launder millions of dollars in drug proceeds. Dubbed “Operation White Dollar”, the two-year multinational investigation targeted the BMPE system from the peso brokers dealing directly with narcotics traffickers down to the Colombian companies and individuals who facilitate the system by purchasing dollars. Operation White Dollar led to the indictment of 34 individuals and companies in Colombia, the United States, and Canada. The U.S. indictment charged that the 34 defendants included: “First-tier peso brokers”, those who make contacts directly with narcotics-trafficking organizations; “ Second-tier peso brokers”, those who concentrate on arranging for the pickup of street-level cash narcotics proceeds and the placing of those funds into the banking system; and “Third-tier peso brokers”, those who make contracts directly with Colombian dollar purchasers. In addition to the indictments against the 34 individuals, a prominent Colombian industrialist, who repeatedly purchased millions of dollars in the BMPE system over a period of years, agreed to forfeit to the United States \$20 million constituting the dollars that he purchased from the indicted peso brokers. This investigation also involved the issuance of warrants authorizing the seizure of over \$1 million from more than 20 separate bank accounts.

### **Commodity Overvaluation to Hide Tax Fraud**

In 1989, ICE agents began investigating a firm in Los Angeles on suspicion of overvaluing imports. ICE used DARTT to identify forty commodities that the company imported, all at values well in excess of world market prices. For instance, the company declared a value of \$99 per kilogram for licorice root, when the common value of imports was \$0.99 per kilogram. The investigation revealed that the company had intentionally over-deposited customs duties, in an effort to conceal the crime of tax evasion. The scheme allowed the company to transfer \$98 offshore for each kilogram of licorice root imported (for which it was actually paying fair market value of about \$0.99). The firm paid duty

on the higher value to conceal the scheme, resulting in the over-deposit. In 1997, a federal court convicted two officers of the company for tax fraud and money laundering, and sentenced them to incarceration and supervised release, respectively. The company was fined \$500,000. The firm and its officers paid approximately \$6.3 million to the U.S. Customs Service for customs violations, and paid over \$93 million to the IRS as a settlement for civil tax liability.

### ***Bulk Cash Movements***

#### **Smuggling Drug Cash from U.S. to Mexico: Operation Money Clip**

In October 2004, DEA announced the dismantling of an international money laundering and drug trafficking organization that resulted in the arrest of 83 defendants and the seizures of over \$4.4 million in cash, 2,526 kilograms of cocaine, 74 pounds of crystallized methamphetamine (known as “Ice”), 2.8 pounds of methamphetamine, over 40,000 pounds of marijuana, and 1 kilogram of heroin. The investigation, called “Operation Money Clip,” began in October 2003 when a sheriff’s officer in Kimble County, Texas seized \$2.2 million in cash in a routine traffic stop. Acting on a DEA directive to focus investigations on the abilities, methods, and routes used to smuggle large amounts of currency from the United States to the narcotics source countries, DEA was able to expand the case to 43 investigations spanning the nation. The investigation targeted a Mexican-based poly-drug-trafficking organization with ties to the Mexican drug-trafficking “Federation of Traffickers.” DEA agents in 25 cities found that the organization allegedly laundered as much as \$200 million from various rural and urban American cities to Mexican targets over approximately two years. The ensuing investigation established that this organization allegedly distributed approximately 500 kilograms of cocaine, 200 pounds of methamphetamine, 20 kilograms of heroin, and 10,000 pounds of marijuana per month in that same period. In addition to transporting the money physically across the border, the traffickers laundered the illicit funds through remitter services, businesses, and foreign bank accounts. The network reached to metropolitan areas of Chicago, Atlanta, New York, and Los Angeles, and rural sections in Virginia, Pennsylvania, Iowa, South Carolina, and North Carolina.

### ***Politically Exposed Persons and Money Laundering***

#### **Money Laundering and Political Corruption: Prosecution of Former Ukrainian Prime Minister**

On June 3, 2004, a federal jury found former Ukrainian Prime Minister Pavel Lazarenko guilty of seven counts of money laundering and 22 other related charges, including wire fraud and interstate transportation of stolen property. Lazarenko, who was arrested in 1999 just three years after he became prime minister of the Ukraine, left a complex trail of money transfers, deposits, and withdrawals over three continents that investigators were able to piece together. Among other things, Lazarenko and his associates obtained a controlling interest in a bank located in Antigua and Barbuda, and transferred millions of dollars in criminal proceeds through correspondent accounts in the United States to these accounts in Antigua. In 2000, a federal grand jury indicted Lazarenko with laundering money through these correspondent accounts in the United States. The prosecution is the result of a six-year investigation led by agents of the Federal Bureau of Investigation and Internal Revenue Service. Although post-trial motions and, therefore, final conviction remain pending, the prosecution and jury verdict demonstrate the U.S. commitment to prosecute transnational crime, as well as the reach of U.S. money laundering laws. If ultimately convicted, Lazarenko would be the first foreign head of state to be convicted for laundering the proceeds of foreign crimes via U.S. banks, and only the second head of state, along with Manuel Noriega, to be prosecuted in the United States. The U.S. is seeking criminal



forfeiture of all property involved in the money laundering offenses. In May 2004, the Department of Justice filed a civil forfeiture complaint in the U.S. District Court for the District of Columbia, seeking forfeiture of foreign proceeds and instrumentalities of the criminal conduct of Mr. Lazarenko and his associates. Among other things, the complaint alleges that Mr. Lazarenko and his associates repeatedly used the U.S. financial system in violation of U.S. law both in the generation of illegal proceeds and in an effort to launder them. The funds identified for civil forfeiture include more than \$145 million in U.S. currency located in Guernsey, and more than \$87.1 million in U.S. currency located in Antigua and Barbuda.

### **Asset Forfeiture and Foreign Official Corruption: Repatriation of Funds to Peru and Nicaragua**

In 2004, the United States repatriated funds to Peru and Nicaragua, in conjunction with investigations and forfeiture actions involving foreign official corruption. In August 2004, the United States repatriated \$20.2 million to the Government of Peru, representing 100 percent of the net assets forfeited in two Department of Justice civil forfeiture actions filed in connection with an FBI investigation into fraud, corruption and money laundering committed by former Peruvian intelligence chief Vladimiro Montesinos, his associate Victor Alberto Venero-Garrido, and other associates of the government of former Peruvian President Alberto Fujimori. The funds were transferred in accordance with an agreement entered into between the United States and Peru at the 2004 Special Summit of the Americas that provides for transparency as well as special consideration for the compensation of victims and support for Peruvian anticorruption efforts. This financial investigation also contributed to the successful apprehension of Montesinos in Venezuela and the successful repatriation of additional funds to Peru, including more than \$14 million voluntarily repatriated by Venero. In December 2004, the Treasury Department transferred \$2.7 million to the Government of Nicaragua, representing 100 percent of the net assets forfeited in a Department of Justice civil forfeiture action filed in conjunction with a Department of Homeland Security/Immigration and Customs Enforcement investigation related to the criminal conduct of Byron Jerez, former Nicaraguan Director of Taxation and associate of former President Aleman. Pursuant to the agreement authorizing the transfer of these funds, almost all of the funds will be utilized for education projects, with \$100,000 going to support anticorruption efforts of the Nicaraguan Prosecutor General's Office. These cases exemplify the effective use of asset forfeiture and financial investigations to combat transnational money laundering and demonstrate the commitment of the United States to finding, seizing, forfeiting and recovering the proceeds of foreign official corruption on behalf of other countries.

### ***Terrorist Financing***

#### **Fronting for Hamas: the Holy Land Foundation**

In July 2004, federal prosecutors in Dallas charged seven principals of the Holy Land Foundation for Relief & Development (HLF), on 42 counts, including conspiracy and IEEPA violations for dealing in the property of a Specially Designated Global Terrorist (SDGT) organization; providing material support to a SDGT; money laundering; and filing false tax returns. The HLF was the largest Muslim charity in the United States until the U.S. government declared it a SDGT organization after federal investigators determined that it had raised millions of dollars for HAMAS over a 13-year period. HLF received start-up assistance from Mousa Abu Marzook, a leader of Hamas and a specially designated terrorist (SDT), and has ties to INFOCOM Corporation, an Internet service provider and computer exporter. Federal prosecutors indicted both Marzook and INFOCOM on IEEPA and money laundering charges in August 2003.

## **Oregon Charitable Organization Supported Chechen Terrorists**

In February 2004, federal officials blocked the assets of and searched all properties purchased on behalf of the Al Haramain Foundation's (AHF) branch in Oregon. A joint task force of IRS-CID, FBI, and ICE officers executed the orders on the basis of an affidavit that alleged the AHF had violated currency and monetary instrument reporting requirements, tax laws, and other money laundering related offenses. Moreover, individuals connected with AHF in Oregon appear to have concealed the movement of funds to Chechnya. Russian officials have indicated that the Chechen mujahideen have received substantial funding from Islamic charities and non-governmental organizations. The allegations arose around a particular transaction in which funds were wired from a foreign country, through a bank in London, to AHF in Oregon. Documents related to this wire transfer indicate that the donor intended the funds to be used to support efforts of "Muslim brothers in Chechnya." AHF founder Al-Aqil assured the donor that the money would be used to "help end the Chechen crisis." After this wire transfer, an individual traveled from Saudi Arabia to the U.S. and obtained the wired funds in the form of traveler's checks and a cashier's check. The cashier's check included a notation: "Donations for Chichani Refugees." The individual then left the country without declaring he was taking out over \$100,000 in traveler's checks. AHF employees then attempted to conceal this transaction, including omitting it from tax returns and mischaracterizing the use of the funds. They failed to provide information on the transaction to the accountant who prepared the organization's tax returns. In fact, the AHF employees told the accountant that all the funds went to purchase a prayer house in Springfield, Missouri, furnished the accountant with documentation that overstated the purchase price of the property. In addition, officers of the charity characterized other portions of the funds—\$21,000—as reimbursements rather than as contribution income and funds distributed to Chechnya.

## **Narcoterrorism: Arms for the FARC**

In April 2004, ICE agents arrested Carlos Enrique Gamarra-Murillo, a Colombian national, on charges of trying to provide material support to a designated foreign terrorist organization, attempting to export defense weapons without a license, conspiracy to distribute cocaine, and possession of machine guns. In a meeting with undercover officers in July 2003 in Florida, he provided a shopping list of weapons that he wanted to buy, including 16 assault rifles, 60 machine guns, grenade launchers, and grenades. He also expressed interest in buying "Stinger" anti-aircraft missiles. Undercover ICE agents later lured him back to Florida again in April 2004 under the ruse of arranging the sell of almost \$4 million dollars worth of weapons for the FARC. Before being arrested, Gamarra produced \$92,000 as a down payment for the weapons and arranged for their delivery to a clandestine airstrip in Venezuela. The remainder of the payment was to be made in cash and cocaine.

## ***Human Trafficking and Related Cases and Money Laundering***

### **Adoption Agency Used Cambodian Children in Immigration Fraud and Money Laundering Scheme**

In November 2004, a federal judge in Seattle, Washington sentenced Lauryn Galindo for conspiracy to commit U.S. Immigration visa fraud, conspiracy to launder money, and structuring financial transactions. In a joint investigation, IRS-CID and ICE investigators had focused on Galindo, who admitted she organized a scheme whereby some Cambodian children were taken from their families and represented on immigration forms as orphans. Along with her sister, Galindo ran Seattle

International Adoptions (SIA), the largest agency in the United States handling the adoption of Cambodian children. While the agency billed itself as humanitarian in focus, it turned out that some of the children had been taken from their mothers for a small payment, and some of their visas had been obtained through fraud. During the investigation, agents traveled to Cambodia and determined that all of the children being adopted through SIA had “unknown” placed on the U.S. visa applications for the names of the birth parents of the children. Officers also determined from interviewing some of those children that they had lived with their families until being brought to an orphanage and processed out for adoption. Some of the U.S. parents actually met the “orphan’s” birthparents, and gave them money at Galindo’s direction. Many of them thought at the time that they were giving money to the child’s caretaker, but later learned that the recipients were in fact their biological parents. ICE agents also found out subsequently that many other children did not qualify under the U.S. definition of “orphan” and, therefore, were not immediately available to be adopted. In addition, there were instances when a baby whose paperwork had been processed became too ill, died, or was rejected by the U.S. parent coming to adopt. In several instances “switches” occurred where a new baby was provided and just assumed the ID of the other child and then entered the U.S. under the other child’s biographical information. Money given to Galindo was used as “grease” to move adoptions along. Galindo had U.S. parents wire money to Cambodia to be used for this purpose, although the parents were told it was an orphanage donation. Cambodian officials have levied charges against individuals in Cambodia who were complicit in the scheme.

### **Hawala Dealer Arrested for Facilitating Alien Smuggling Ring**

In a recent case, federal officers arrested Gunvant Shah, a hawaladar based in New Jersey and Boston, on the following charges: sending money by way of exchange to promote alien smuggling; operating an illegal banking entity; structuring money order purchases; conspiracy and tax fraud. By using phone taps to intercept telephone calls and faxed items between Shah and his co-conspirators, investigators discovered that the men funneled alien smuggling fees through legitimate companies’ bank accounts and into foreign countries, thereby evading any countries reporting requirements. Shah typically sent money to India through direct hawala transfers or via packages of monetary instruments to other hawaladars, Zakhir and Piyush Patel, who in turn utilized legitimate businesses such as Jack Filled Trading, CNA Metals, and A.R.Y. International, to transfer money overseas. Authorities seized several of these packages, which confirmed that in 1997 and 1998, Shah received large sums of cash, cashier’s checks, money orders, and personal checks connected to the alien smuggling activity. Moreover, officers learned that Shah and his associates also structured money order purchases—they bought high volumes of U.S. Postal Money Orders in limited amounts to avoid currency transaction reporting requirements. Investigators reviewed the records of Zakhir Patels’ money transmittal business and discovered that from March to November 1998 Patel received approximately \$2.9 million from Shah. From February to October 1998, Zakhir Patel wired approximately \$1.5 million to the bank account of A.R.Y. International in New York. Supported by his own ledgers, Piyush Patel admitted that he received between \$200,000 and \$500,000 per month from Shah between February and November 1998, or about \$2.5 million.

### **Money Laundering and Forced Prostitution**

In a recent case, Immigration and Customs Enforcement (ICE) officers investigated a family-run smuggling organization that smuggled Mexican women into the United States and forced them into prostitution. Two brothers, both Mexican nationals, supervised a ring that smuggled the women into Arizona and then moved them to New Jersey. The ring offered several of the women legitimate employment to lure them into the United States, but later coerced them into prostitution. The smugglers kept all proceeds earned by the women through prostitution. The criminal organization used the same individuals who transported the women to New Jersey to remit the profits earned from

prostitution back to Mexico. The two sisters in the family also sent some of the prostitution profits via wire transfers to Mexico. Other members of the ring used the profits to purchase real estate, using the names of other family members to help hide the identities of the smugglers.

### ***Fraud and Money Laundering***

#### **Australian Investor Fraud Scheme**

In a recent case, a federal jury convicted Geoffrey Chris Clement for fraud and money laundering violations and a federal court sentenced him to serve 13 years in prison. Clement falsely represented to prospective investors in Australia that he had the ability to make high yield, low risk investments through a company controlled by him, which was organized under the laws of the Isle of Man and the United Kingdom. Clement offered investors a return of four to eight percent per month on their investment in what he referred to as a “High Asset Management Program” or HAMP in Europe. The investors borrowed money to invest by obtaining five loans from the Bank of New Zealand in Perth, Western Australia. As part of the scheme, Clement and his agent provided collateral for the loans in the form of a company named the Australia Queensland Treasury Corporation (AQTC), which proved to be insufficient to cover the outstanding loans. Clement and his agent also offered United States Treasury bills as collateral, whose values were also not enough to cover the outstanding loans. As part of the fraud, Clement directed funds to be wire transferred from England to the United States, as well as from the United States to Australia. The victims lost an estimated \$5 million as a result of this scheme. Working jointly with the FBI, IRS-CID used complex financial investigative techniques to track the wire transfers and uncovered the fraudulent scheme. Based on the funds identified in the investigation, the court ordered Clement to pay restitution to the victims totaling \$3.9 million.

#### **Tax Evasion Scheme Uses Antigua Offshore Bank**

IRS-CID conducted an investigation of Albert Carter of Provo, Utah who was convicted of tax crimes after agents uncovered a scheme that Carter devised to defraud investors of their money through an investment program, often referred to as a “doubling program”. Even though Carter had gross income in excess of \$215,000 and owed federal taxes in excess of \$75,000, Carter not only failed to file his tax return, but also committed acts of tax evasion, including the use of a VISA card account from an offshore bank to pay personal expenses, the transfer of money to the VISA card account, and the transfer of records reflecting income and expenses offshore. Carter was “managing director” of Allied International Resources (AIR) and represented the company as having offices in Utah and Antigua. During this time, Carter devised what turned out to be a non-existent prime bank instrument investment scheme to defraud investors of their money through an investment program involving the international trading of bank debentures. Carter and his associates solicited approximately \$3 million from investors for the “doubling program.” Through letters mailed to investors, Carter represented that the investment was for a 12-month term, was protected by a guarantee against loss for 108 percent of the investment, and was backed by a trust fund of over five times the amount that AIR was obligated to pay out. The letter represented that an investor could expect 200 percent of the investment at the annual anniversary date. Carter represented to his clients that the international trading of bank debentures is a privileged and highly lucrative profit source for participating banks and, as a result, these opportunities are not made known to the public. He also claimed that the proposed investment is “safer than Certificates of Deposit at your local bank.” Carter sent another letter to investors eleven months after their investment had been made, which misrepresented that the initial investment had “dramatically increased” to an amount equal to twice the initial investment. The second letter misled investors into believing that the program was generating a return for them when, in fact, no return had been received by AIR. Carter admitted he did not inform investors that investor funds brought in

through the program would be used to pay off other investors—essentially a Ponzi scheme—and also used to pay his personal expenses and the operating expenses of AIR. He used about \$1,200,000 of investor funds to repay other investors.

### *Internet Gambling*

#### **IRS-CID seizes millions in offshore gaming investigation involving Antigua and Belize**

In a recent case, IRS-CID charged a large-scale offshore gaming operation with money laundering. Peter Mowad and John Reyes were partners in “Carib”, an offshore Sports Book and Casino that operated in Antigua, Belize and in the United States. Since 1993, Mowad and his associates accepted wagers on sporting events from bettors located in the United States using the Internet or other telephone communications. Mowad, or associates acting under his control, while physically located in Antigua or Belize, knowingly accepted wagers in interstate and foreign commerce from persons physically located in states within the U.S. where sports gambling is prohibited. As part of his unlawful scheme, Mowad and his associates established a Florida corporation to supply the offshore gaming business with equipment and supplies necessary to operate. Mowad and his associates accepted millions of dollars in wagers every year and advertised Carib via direct mailings, sports publications and on the Internet. The illegal activity generated millions of dollars in income. Mowad used his position as a principal of the business to divert millions of dollars from the business to his own financial benefit. Mowad arranged these transactions by writing checks or transferring funds by wire, or by directing subordinate employees to do so, from Carib’s various business bank accounts to accounts that were owned and controlled either by Mowad or his family members. IRS-CID seized over \$2.6 million held by Mowad or for his benefit in accounts at the International Bank of Miami.

## **Bilateral Activities**

### *Training and Technical Assistance*

During 2004, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, bank regulators, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

### *Department of State*

The Department of State’s Bureau for International Narcotics and Law Enforcement Affairs (INL) and the Department’s Office of the Coordinator for Counter-Terrorism (SCT) are together implementing a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries whose financial sectors have been used to finance terrorism. As is the case with the more than 100 other countries to which INL-funded training was delivered in 2004, the capacity to thwart the funding of terrorism is dependent on the development of a robust anti-money laundering regime. Supported by and in coordination with the State Department, the Department of Justice, Department of Homeland Security, Treasury Department component agencies, the Board of Governors of the Federal Reserve System, the Federal Deposit

Insurance Corporation, and various non-governmental organizations offered law enforcement, regulatory and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards, the training of law enforcement, the judiciary and bank regulators, as well as the development of financial intelligence units capable of collecting, analyzing and disseminating financial information to foreign analogs.

Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal investigation. Likewise, every bank regulatory agency participated in providing advanced anti-money laundering/counterterrorist financing training to supervisory entities. In addition, INL made funds available for intermittent posting of legal and financial advisors at selected overseas locations. These advisors work directly with host governments to assist in the creation, implementation, and enforcement of anti-money laundering and financial crime legislation. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

INL and the Government of the United Kingdom continued to fund the Caribbean Anti-Money Laundering Programme (CALP). INL contributed \$600,000 to the CALP in 2004. The objectives of the highly successful, now-concluded CALP were to reduce the laundering of the proceeds of all serious crime by facilitating the prevention, investigation, and prosecution of money laundering. CALP also developed a sustainable institutional capacity in the Caribbean region to address the issues related to anti-money laundering efforts at a local, regional and international level.

In 2004, INL reserved \$900,000 for the United Nations Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering conferences and providing short-term training courses, the GPML instituted a unique longer-term technical assistance initiative through its mentoring program. The mentoring program provides advisors on a yearlong basis to specific countries or regions. A GPML mentor provided assistance to the Secretariat of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

In 2004, INL also funded the \$2 million terrorist finance component of the President's East Africa Counter-Terrorist Initiative. INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2004, INL support was furnished to the Financial Action Task Force on Money Laundering (FATF), the international standard setting organization. INL continued to be the sole U.S. Government financial supporter of the FATF-style regional bodies (FSRBs) including the Asia/Pacific Group on Money Laundering (APG), the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the South American Financial Action Task Force, Grupo de Accion Financiera de Sudamerica Contra el Lavado de Activos (GAFISUD). INL also financially supported the Pacific Island Forum and the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Office of Money Laundering and the OAS Counter-Terrorism Committee.

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

## International Law Enforcement Academies (ILEAs)

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

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

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

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

The ILEAs help develop an extensive network of alumni that exchange information with their U.S. counterparts and assist in transnational investigations. These graduates are also expected to become the leaders and decision-makers in their respective societies. The Department of State works with the Departments of Justice (DOJ), Homeland Security (DHS) and Treasury, and with foreign governments to implement the ILEA programs. To date, the combined ILEAs have trained over 13,000 officials from 68 countries in Africa, Asia, Europe and Latin America. The ILEA budget averages approximately \$16-17 million annually.

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

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







Philippines, Kazakhstan, Bosnia, Pakistan, Saudi Arabia, Morocco, Brazil, Turkey, Nigeria, Ghana, Thailand, Romania and Latvia. In addition, 36 law enforcement officials from 17 Latin American countries traveled to the FBI Academy, Quantico, Virginia, to participate in the Latin American Law Enforcement Executive Development Seminar, which includes coursework in money laundering and other financial crimes.

### ***Federal Deposit Insurance Corporation (FDIC)***

In 2004, the FDIC continued to work in partnership with several agencies to combat money laundering and the global flow of terrorist funds. Additionally, the agency participates in the planning and conduct of missions to assess vulnerabilities to terrorist financing activity worldwide and to develop and implement plans to assist foreign governments in their efforts in this regard. To better achieve this end, the FDIC has 22 individuals available to participate in foreign missions and is working to double the number of participants available to assist in future missions.

Periodically, FDIC staff meets with supervisory and law enforcement representatives from various countries to discuss anti-money laundering (AML) issues, including examination policies and procedures, the USA PATRIOT Act and its requirements, the FDIC's asset forfeiture programs, suspicious activity reporting requirements and interagency information sharing mechanisms. In 2004, such presentations were given to representatives from the Netherlands, Romania and Georgia.

In March 2004, the FDIC responded to a request from the Department of the Treasury to provide comments on a draft anti-money laundering/counterterrorist financing law for Iraq. This draft law was adopted by the Coalition Provisional Authority and implemented into law.

The FDIC responded to a request to participate in an assessment of the Romanian government's suspicious transaction reporting process and a review of the country's AML laws and regulations. The FDIC participated with FinCEN in this review.

The FDIC participated on an interagency Financial Systems Assessment Team to Morocco in January 2004. The group reviewed the country's proposed AML law and provided information in the areas of customer identification programs, financial intelligence units and the monitoring of non-bank financial institutions.

The FDIC also provided staff to participate in three conferences and training sessions. The first conference was held in Buenos Aires, Argentina, with financial intelligence unit representatives from Argentina, Brazil, Paraguay and the United States. The FDIC discussed the role of the financial regulator in providing information to the financial intelligence units. The second training session was held in Abu Dhabi, United Arab Emirates. The purpose of the seminar was to provide guidance to Asian countries that are presently developing their own anti-money laundering policies and procedures. Twenty-nine representatives from Afghanistan, Bangladesh, India, Maldives, Pakistan, Sri Lanka, and the United Arab Emirates attended the three-day conference. The third training session was held in Bangkok, Thailand, and was sponsored by DOJ/OPDAT. The conference was titled "Safeguarding Charities from Abuse." Representatives from Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, the United Kingdom, the United States and the Asia/Pacific Group on Money Laundering attended the three-day session.

### ***Financial Crimes Enforcement Network (FinCEN)***

FinCEN, the U.S. Financial Intelligence Unit (FIU), a bureau of the U.S. Department of the Treasury, coordinates and provides training and technical assistance to foreign nations seeking to improve their capabilities to combat money laundering, terrorist financing, and other financial crimes. FinCEN's particular focus is the creation and improvement of FIUs—a valuable component of a country's anti-

## Money Laundering and Financial Crimes

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money laundering (AML) regime. FinCEN's international training program has two components: (1) instruction and presentations to a broad range of government officials, financial regulators, law enforcement officers, and others, on the subjects of money laundering and financial crime and on FinCEN's mission and operation; and (2) training regarding FIU operations and analysis via personnel exchanges. Much of FinCEN's work involves strengthening existing FIUs and the channels of communication used to share information to support anti-money laundering investigations. Participation in personnel exchanges (from the foreign FIU to FinCEN and vice versa), delegation visits to foreign FIUs, and regional and operational workshops are just a few examples of FinCEN activities designed to assist/support FIUs.

For those FIUs that are fully operational, FinCEN's goal is to assist the unit in increasing effectiveness, improving information sharing capabilities, and better understanding the phenomena of money laundering and terrorist financing. As a member of the Egmont Group of FIUs, FinCEN works closely with other member FIUs to provide training and technical assistance to countries and jurisdictions interested in establishing their own FIUs and having those units become candidates for membership in the Egmont Group.

During 2004, FinCEN conducted training courses, both independently and with other agencies including the Federal Bureau of Investigation and the Treasury Department's Office of Technical Assistance (OTA). Occasionally, FinCEN's training and technical assistance programming is developed jointly with these other agencies in order to address specific needs of the jurisdiction/country receiving assistance. In 2004, FinCEN conducted several training programs abroad to maximize participation by foreign FIUs.

Over the last twelve months, in an effort to reinforce the sharing of information among established FIUs, FinCEN conducted personnel exchanges and other training with a number of Egmont Group members and non-members. Examples include Argentina, Brazil, Paraguay, Thailand, Russia, Qatar, Romania, Guatemala, Italy, Spain and Turkey. Such training offers the opportunity for FIU personnel to see first-hand how another FIU operates. It is hoped that the participants in these exchanges will share ideas, innovations, and insights that will lead to improvements in such areas as analysis, information flow, and information security at their home FIUs.

Analysis training typically consists of a group of analysts from a country's FIU spending one to two weeks at FinCEN. Occasionally, FinCEN will conduct these training sessions abroad. FinCEN's analysis training program provides foreign analysts with basic skills in critical thinking and analysis; data collection; report writing; database research; financial analysis (such as bank records and net worth analysis); and case presentation. Training topics such as regulatory issues, international case processing, technology infrastructure and security, and terrorist financing and money laundering trends and typologies provide analysts with broader knowledge and a better understanding of the topic of money laundering. Finally, analysts gain an extensive knowledge of the U.S. AML regime by meeting with representatives from other Federal agencies involved in the fight against money laundering and terrorist financing. These include the Justice Department's Asset Forfeiture and Money Laundering Section, the State Department's Bureau of International Narcotics and Law Enforcement Affairs and Office of the Coordinator for Counter-Terrorism, the Internal Revenue Service's Criminal Investigation Division and the Homeland Security Department's Bureau of Immigration and Customs Enforcement.

In 2004, in support of the State Department's "3+1" initiative designed to address security challenges in South America's tri-border region, FinCEN designed and managed an FIU Conference in Buenos Aires, Argentina. This conference, co-hosted by Argentina's FIU, focused on strengthening information sharing among the FIUs of the "3+1" partners: Argentina, Brazil, and Paraguay. FinCEN provided training to two members of the Thailand FIU's IT staff on "data mining" software used for information analysis. FinCEN also partnered with Treasury/OTA and FINTRAC (Canada's FIU) to

provide IT training for staff from the Philippines FIU, the Anti-Money Laundering Council. FinCEN also partnered with OTA to coordinate training in Argentina, Peru, Paraguay, and Russia. In 2004, efforts continued to better understand the role of, and collaborate with international organizations involved in providing anti-money laundering/counterterrorist financing training and technical assistance. Over the last year, FinCEN has significantly increased its coordination with organizations such as the Organization of American States, the International Monetary Fund and the World Bank.

In 2004, FinCEN hosted representatives from over 60 countries. These visits focused on topics such as money laundering trends and patterns, the Bank Secrecy Act, USA PATRIOT Act, communications systems and databases, case processing, and the goals and mission of FinCEN. Representatives from foreign financial and law enforcement sectors generally spend one to two days at FinCEN learning about money laundering, the U.S. AML regime and reporting requirements, the national and international roles of a financial intelligence unit, and various other topics. During 2004, this type of orientation was offered to officials from a number of countries including Kuwait, Taiwan, Mauritius, Canada, Italy, Spain, and Nigeria.

### ***Internal Revenue Service (IRS)***

In 2004, the IRS Criminal Investigative Division (IRS-CID) increased its involvement in international training efforts designed to help share expertise needed to detect and dismantle money laundering organizations and the proliferation of terrorist organizations that facilitate terrorist financing activities. IRS-CID provided significant contributions through agency and multi-agency technical assistance programs to foreign law enforcement agencies during the past fiscal year. Training included instruction in financial investigative techniques, combating money laundering and combating transnational terrorism.

IRS-CID is one of the participating agencies to provide support to the International Law Enforcement Academies (ILEA) at Bangkok, Budapest and Gaborone. This is accomplished by providing training in Financial Investigative Techniques/Money Laundering and Anti-Terrorism Financing. In Fiscal Year 04, IRS-CID provided a class coordinator to the ILEA program in Gaborone to share experience and expertise in financial investigative matters with the participants. In furtherance of this commitment, IRS-CID has a special agent detailed as one of the Deputy Directors at the ILEA in Bangkok, Thailand. IRS-CID also serves as coordinator of the annual Complex Financial Investigations course, which is provided to senior, mid-level, and first-line law enforcement supervisors, inspectors, investigators, prosecutors and customs officers from Brunei, Cambodia, Hong Kong, Indonesia, Laos, Macau, Malaysia, People's Republic of China, Philippines, Singapore, Thailand, and Vietnam.

In the ongoing efforts to facilitate the creation of ILEA South America, IRS-CID conducted assessments and curriculum studies to assist in building a course that would be most beneficial to South American countries. IRS-CID assigned a Supervisory Academy Instructor to serve as a member of the ILEA-South America board, which will help formulate the curriculum and assist in identifying the permanent site to host the new ILEA facility.

IRS-CID completed an assignment as a Criminal Investigations Division (CID) Advisor to the Board of Inland Revenue (BIR), Government of Trinidad and Tobago as part of an agreement with IRS' Tax Administration Advisory Services (TAAS) project for technical assistance and guidance as it relates to the creation of a law enforcement unit attached to BIR. Through our CID representative's efforts, the unit is now in operation and actively working criminal tax cases.

IRS-CID conducted a one-week Advanced Money Laundering/Financial Investigative Techniques course in Spindlerov Mlyn, Czech Republic. The participants were financial investigators, supervisors and prosecutors from the Ministry of the Interior. Their responsibilities are to investigate serious

economic crimes. IRS-CID presented a two-week Advanced Financial Investigative Techniques course to investigative officers and supervisors of the Inland Revenue Board of Malaysia and investigators of the Malaysian Securities Commission and Ministry of Finance. This course presented the participants with an opportunity to work a case from the development of potential criminal information through conducting the investigation, preparing reports for recommendation of charges and preparing for trial.

IRS-CID delivered a one-week Money Laundering/Anti-Terrorist Financing course in Solenice, Czech Republic. The participants were all financial investigators, supervisors and prosecutors from the Ministry of the Interior who investigate serious economic crimes. A one-week Money Laundering and Anti-Terrorist Financing course was presented in Rarotonga, Cook Islands. The Solicitor General and all heads of the ministries participated in this training. A one-week Money Laundering and Anti-Terrorist Financing course was presented to senior law enforcement officials from the various fraud and narcotics law enforcement agencies in Cairo, Egypt.

IRS-CID assisted the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) in a one-week conference on Complex Financial Investigations in Corruption Cases in Tulcea, Romania. The participants were prosecutors, judges and governmental officials from Romania who were involved in investigating and prosecuting money laundering, tax evasion, fraud and public corruption. A one-week course in Combating Money Laundering was presented to Thailand's Anti-Money Laundering Organization (AMLO) in Bangkok, Thailand. A four-day Anti-Terrorist Financing course was held in Kuala Lumpur, Malaysia for investigators and prosecutors from Malaysia, Thailand, Indonesia, the Philippines, and Brunei.

IRS-CID has assisted the Federal Bureau of Investigation (FBI) in developing and delivering a one-week and an eight-day Anti-Money Laundering and Anti-Terrorism Financing course. The course was successfully delivered to participants in Indonesia, Jordan, Philippines, Brazil, Qatar, Malaysia, Kazakhstan, and Venezuela. A one-week course was delivered in Washington, D.C. to Pakistanis and in ILEA Budapest to Bosnians. Participants in the class were investigators, prosecutors, and Judges from the Financial Intelligence Unit, Central Bank, Securities and Exchange Commission, Insurance Commission, Department of Finance, Department of Justice, and the Drug Enforcement Agency.

IRS-CID is a member of the Anti-Terrorism Financing Task Force that recently met to discuss the development of a one-week Anti-Terrorism Financing Course to be presented at ILEA Budapest. The Department of State (DOS) funded DOS Anti-Terrorism Assistance (ATA) to provide training relating to counterterrorism financing to countries at the ILEAs. As part of this initiative, ATA asked IRS-CID to participate in the training. A pilot two-week course was successfully presented at ILEA Budapest. The participating countries were Romania, Turkey and Hungary.

### ***Office of the Comptroller of the Currency (OCC)***

The OCC conducted and sponsored a number of anti-money laundering (AML) training initiatives for foreign banking supervisors during 2004.

In February 2004, the OCC sponsored a three-day Anti-Money Laundering workshop in Belize through the International Monetary Fund. The session focused on Anti-Money Laundering bank supervision and best practices. Material was incorporated from the revised FATF Forty Recommendations, the Basel Committee's Customer Due Diligence paper, and other reference material including the OCC's handbook on AML. There were approximately 30 examiners in attendance.

In February 2004, the OCC participated with FinCEN in an Egmont Group FIU assessment of the Philippines' Anti-Money Laundering Council (AMLC). The assessment focused on legislative, regulatory, IT, and law enforcement capabilities within the scope of the Philippine FIU.

In March 2004, the OCC sponsored an Anti-Money Laundering/Anti Terrorist Financing School in Washington, D.C. The school was designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorist financing activities and of how these acts are perpetrated. The course provided a basic overview of AML examination techniques, tools, and case studies. Twenty-three banking supervisors from the following countries were in attendance: Cayman Islands, Guatemala, Indonesia, Japan, Luxembourg, Netherlands, Nigeria, Pakistan, Panama, Philippines, Romania, Turkey, United Kingdom, and Singapore. The course was videotaped, and the OCC and World Bank are jointly working to produce a video that can be distributed in 2005 as a training tool for banking supervisors around the world.

In June 2004, through the Association of Banking Supervisors of America (ABSA), the OCC presented the Anti-Money Laundering/Anti-Terrorist Financing School in Chile. At this session, there were 25 banking supervisors from the following countries: Chile, Guatemala, Honduras, Mexico, Nicaragua, and Peru.

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

#### ***Training and Technical Assistance***

OPDAT is the office within the Justice Department responsible for assessing, designing and implementing training and technical assistance programs for criminal justice sector counterparts overseas. OPDAT draws upon components within the Department, such as AFMLS, to provide programmatic expertise and to develop good partners abroad.

In 2004, OPDAT provided training in the areas outlined below. In addition to programs that are tailored to each country's needs, OPDAT also provides long term, in-country assistance through Resident Legal Advisors (RLAs). RLAs are U.S. federal prosecutors who provide in-country technical assistance to improve the skills, efficiency and professionalism of foreign criminal justice systems. Typically, RLAs live in a country for one or two years to work with ministries of justice, prosecutors and the courts. To promote reforms in the criminal justice system, RLAs provide assistance in legislative drafting, modernizing institutional policies and practices, and training law enforcement personnel including prosecutors, judges, police and other investigative or court officials. AFMLS, however, is the lead Justice section that provides countries with technical assistance in the drafting of money laundering and asset forfeiture statutes compliant with international standards.

#### ***Money Laundering/Asset Forfeiture***

During 2004, the Justice Department's OPDAT and AFMLS continued to provide training to foreign prosecutors, judges and law enforcement, and assistance in drafting anti-money laundering statutes compliant with international standards. The assistance provided by OPDAT and AFMLS enhances the ability of participating countries to prevent, detect, investigate, and prosecute money laundering, and to make appropriate and effective use of asset forfeiture. The content of individual technical assistance varies depending on the specific needs of the participants, but topics addressed in 2004 included developments in money laundering legislation and investigations, complying with international standards for an anti-money laundering/counterterrorist financing regime, illustrations of the methods and techniques to effectively investigate and prosecute money laundering, inter-agency cooperation and communication, criminal and civil forfeiture systems, the importance of international cooperation, and the role of prosecutors. In 2004, officials in Panama, Thailand, South Africa, Malaysia, Bosnia,

Uzbekistan, Bangladesh, and Russia attended in-depth sessions on money laundering and international asset forfeiture. In 2004, OPDAT's RLA in Kosovo worked with the UN as Chief of the Special Information and Operations Unit at the DOJ/UN Administrative Mission in Kosovo to help implement a new money laundering law.

On February 3-6, 2004, AFMLS co-sponsored an international forfeiture conference with the National Prosecuting Authority of the Government of South Africa and tackled the sensitive subject of "Forfeiting the Proceeds of Public Corruption." Representatives from ten African countries, in addition to South Africa, participated in this conference, including Botswana, Kenya, Uganda, Tanzania, Nigeria, Zambia, Mozambique, Lesotho, Swaziland, and Mauritius.

Participants in the February conference consisted of prosecutors, senior police officials, judges/magistrates, and even a member of Parliament. Through interactive presentations and panel discussions, participants actively articulated their countries' concerns about and experience with public corruption, as well as their practical experience in forfeiture and obtaining mutual legal assistance from other countries. In addition to a more general discussion of forfeiture legislation, forfeiture best practices, and mutual legal assistance procedures, this year's conference also concentrated on some of the particular difficulties inherent in carrying out a complex financial fraud investigation into corruption, ranging from putting together an investigative team, financial tracing, and identifying beneficial owners to dealing with particular challenges in investigating corruption in different sectors.

From October 19-21, 2004, AFMLS sponsored a seminar entitled "Forfeiting the Proceeds of Human Trafficking" in Prague, Czech Republic. OPDAT funded all of the country delegations and worked closely with AFMLS to coordinate this event. Prosecutors and legislators from Albania, Bosnia, Bulgaria, Croatia, Czech Republic, Kosovo, Macedonia, Romania, and Serbia & Montenegro attended the seminar. The primary goal of this conference was to strengthen international cooperation in forfeiting the proceeds of alien smuggling and human trafficking. This seminar also provided a forum to exchange information on improving national forfeiture and anti-money laundering systems and on achieving greater cooperation in combating transnational financial crime. In Azerbaijan in 2004, OPDAT and AFMLS experts provided guidance to the drafters in crafting a new anti-money laundering/counterterrorist financing law that complies with Council of Europe and FATF standards. The government expects to enact the draft law in 2005.

Also in 2004, OPDAT assisted with the creation of a specialized unit at the Georgian Prosecutor's Office to handle money laundering and terrorist financing cases. With OPDAT support, in December 2003, FBI polygraphers vetted the prosecutors, investigators and support staff who are permanently assigned to this unit. Throughout 2004, the new unit received ongoing assistance from OPDAT and the RLA in developing cases under Georgia's new FATF-compliant money laundering law; two major investigations are now underway.

As part of Plan Colombia, in 2004, OPDAT continued to provide assistance to enhance the capability of Colombia's National Asset Forfeiture and Money Laundering Task Force to investigate and prosecute money laundering and other complex financial crimes, and to execute the forfeiture of profits from illegal narcotics-trafficking and other crimes.

### ***Organized Crime***

During 2004, OPDAT organized a number of programs for foreign officials on transnational or organized crime, which included such topics as corruption, money laundering, implementing complex financial investigations and special investigative techniques within a task force environment, international standards, legislation, mutual legal assistance, and effective investigation techniques.

In addition in 2004, OPDAT's Intermittent Legal Advisor (ILA) assisted the South African National Director of Public Prosecutions in implementing its new organized crime statute.

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

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

### ***Fraud/Anticorruption***

OPDAT placed two prosecutors overseas to provide technical assistance on a long-term basis specifically on corruption cases. Moreover, OPDAT deployed an ILA to Nigeria in 2004 to support its relatively new anticorruption commission. Also in May 2004, OPDAT placed the first RLA dedicated to anticorruption issues in Managua, Nicaragua. In September 2004, he provided assistance to the Nicaraguan Attorney General's Office on corruption cases. In January 2005, he conducted a program for 50 Nicaraguan prosecutors and police on the techniques and tools involved in preparing and bringing corruption cases to trial in an accusatory criminal justice system. Although Nicaragua switched over from an inquisitorial criminal justice system in 2002, it is still in the process of training prosecutors, investigators, and judges in the trial advocacy skills needed to implement the new criminal procedure code.

In March 2004, OPDAT conducted a technical assistance program for Uruguayan prosecutors and investigators to improve their investigative and prosecutorial ability to combat public corruption. In October 2004, OPDAT conducted a Caribbean-regional workshop on investigating and prosecuting corruption. It provided substantive technical assistance and promoted collaboration among prosecutors and investigators in the Caribbean. Prosecutors and investigators from Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, Trinidad and Tobago, St. Lucia, St. Vincent and the Grenadines, and Suriname attended the workshop.

### ***Terrorism/Terrorist Financing***

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

In 2004, OPDAT assigned overseas the second RLA supported by the Interagency Working Group on Terrorist Financing. Working in a country where terrorist cells may exist or where there is suspected terrorist financing, RLAs focus on money laundering and financial crimes and developing counterterrorism legislation that criminalizes terrorist acts, terrorist financing, and the provision of material support to terrorist organizations. They also develop technical assistance programs for prosecutors, judges and, in collaboration with DOJ's International Criminal Investigative Training Assistance Program, police investigators to assist in the implementation of new money laundering and terrorist financing procedures.

In December 2004, OPDAT sent a counterterrorism RLA to Kenya to work on financial crimes and money laundering issues and, in general, to bolster the capacity of the prosecutor's office and assist



the Kenyans in establishing a Financial Intelligence Unit. In 2004, the RLA in Paraguay, now in his second year, organized conferences to finalize a draft anti-money laundering law, including a meeting with representatives from the UN Counter Terrorism Center in New York and the UN Office of Drugs and Crime, Terrorism Prevention Branch, in Vienna. The final draft law has been presented to the Paraguayan legislature, which will consider it in February 2005. In 2005, OPDAT will place RLAs in Abu Dhabi, Egypt, Morocco, Bangladesh, Indonesia, and Pakistan. OPDAT will also assign ILAs to Malaysia and Turkey.

In April 2004, OPDAT conducted a regional conference on terrorist financing for Southeast Asia. Law enforcement officers, prosecutors, and financial sector officials from Thailand, Philippines, Indonesia and Malaysia participated in the event.

In December 2004, OPDAT organized a regional conference in Thailand, bringing together officials from Indonesia, the Philippines and Malaysia, to discuss Safeguarding Charities from Abuse by Terrorists. The conference focused on typologies where charitable organizations either wittingly or unwittingly support terrorism, as well as the methods of criminalizing, investigating and prosecuting such acts, the regulation of charities, and practical means for “red-flagging” suspicious activities. Presenters included representatives of the United Kingdom Charity Commission, the nongovernmental organization, Save the Children, officials from the Asia/Pacific Group on Money Laundering, and representatives from the Departments of Justice, State and Treasury, including the Internal Revenue Service. Following the conference the four governments requested follow-up bilateral assistance.

AFMLS provides technical assistance directly in connection with legislative drafting on all matters involving money laundering, asset forfeiture and the financing of terrorism. During 2004, AFMLS provided such assistance to 16 countries and actively participated in the drafting of the terrorist financing provision of the OAS/CICAD Model Regulations. AFMLS continues to participate in the UN Working Group to draft a model non-conviction based asset forfeiture law and the G-8 working groups on corruption and asset sharing. In 2004, AFMLS provided technical assistance to Afghanistan, Albania, Azerbaijan, Bangladesh, Brazil, Pakistan, Indonesia, Iraq, Kenya, Philippines, Paraguay, Sri Lanka, the Republic of Korea, Thailand, Turkey, and Uzbekistan.

During 2004, AFMLS and OPDAT participated in four Financial Systems Assessment Teams (FSAT) led by the Department of State’s Coordinator for Counter-Terrorism Office and the Bureau for International Narcotics and Law Enforcement Affairs. These teams traveled to Morocco and Nigeria to determine the capacities and skills of prosecutors and judges, and the criminal justice system in general, to effectively address terrorist financing.

### ***Office of Technical Assistance (OTA)***

Treasury’s OTA is located within the Treasury Department’s Office of the Assistant Secretary for International Affairs. The office delivers interactive, advisor-based assistance to senior level representatives in various ministries and Central Banks in the areas of tax reform, government debt issuance and management, budget policy and management, financial institution reform, and more recently, financial enforcement reforms related to money laundering and other financial crimes. The program receives funding from the State Department’s Bureau for International Narcotics and Law Enforcement Affairs (INL), USAID country missions, and direct appropriations from the U.S. Congress.

In 2004, advisors provided assistance to the governments of Albania, Armenia, Azerbaijan, Bulgaria, Chile, China, Colombia, El Salvador, Ethiopia, Georgia, Honduras, Hungary, Kazakhstan, Macedonia, Moldova, Mongolia, Montenegro, Morocco, Panama, Paraguay, the Philippines, Poland, Peru, Romania, Russia, Ukraine, Sri Lanka and the Maldives, Tanzania, Thailand, Uganda, Ukraine, Serbia,

Venezuela, Zambia, Senegal, Lesotho, Kenya, Tunisia, Burkina Faso, Haiti and the Eastern Caribbean countries.

### ***Training***

OTA conducted several assessments of anti-money laundering regimes in 2004, often working in concert with the U.S. Embassies, other U.S. Government agencies and/or international bodies. These assessments addressed legislative, regulatory, law enforcement and judicial components of the various programs. The assessments included the development of technical assistance plans to enhance a country's efforts to fight money laundering and terrorist financing. In 2004, such assessments were carried out in Mexico, Colombia, Costa Rica, Venezuela, Ethiopia, Mongolia, Kazakhstan, the Philippines, Sri Lanka and the Maldives, Ethiopia, Kenya, Lesotho, Albania, Romania, and Bulgaria.

OTA provided a variety of training in a number of countries around the world. In Africa, OTA specialists provided a course on anti-money laundering and the countering of the financing of terrorism to the African Development Bank in Tunis, Tunisia, and held a series of awareness-raising seminars on money laundering and terrorist financing for officials of the government of Burkina Faso. In Europe: the OTA team in Bulgaria conducted financial investigation training programs including financial profiling; Romanian examiners and banks were trained in mortgage practices to manage the credit risk arising from the dramatic expansion of the mortgage market in Romania; in Armenia, OTA conducted a "train-the-trainer" program on auditing techniques for concerned officials; and in Montenegro, anti-money laundering seminars were conducted for Customs Administration, Securities Commission, Central Bank and Tax Administration, bank and non-bank institutions. In the Americas, OTA training included a course on anti-money laundering concepts and FIUs to Salvadoran and Honduran officials, a course on anticorruption to Honduran investigators, on-the-job training on suspicious activity detection for financial analysts in Paraguay, and a course on how to probe tax evasion cases for Paraguayan analysts, prosecutors and investigators. It also included a course on anticorruption practices for high-level executives, investigators and prosecutors, and a course on anti-money laundering and terrorist financing for judges in Peru. OTA has sent a team to Haiti to assist in the creation of a Haitian Financial Crimes Task Force and to continue mentoring investigators on a monthly basis. In China, OTA has partnered with the Financial Crimes Enforcement Network (FinCEN) and the Treasury's Office of Terrorism and Financial Intelligence (TFI) to assess China's need for an effective anti-money laundering regime. In Kazakhstan, OTA partnered with the Federal Law Enforcement Training Center (FLETC) to conduct the "Senior Executive Seminar" in Astana and Almaty in June 2004 to inform Kazakh officials of the nature and international requirements of an effective anti-money laundering and counterterrorist financing program, and what constitutes an effective financial intelligence unit

### ***Support for Financial Intelligence Units***

OTA also continued its training and technical support for the refinement and establishment of Financial Intelligence Units (FIUs) in various regions of the world. In Paraguay, OTA provided expert advice to the Paraguayan FIU. It also co-funded with OAS/CICAD and INL the procurement of software and hardware for the FIU, and two other Paraguayan entities that deal with anti-money laundering. In Montenegro, OTA experts undertook a variety of initiatives to help the country establish an FIU and make it operational. Similar assistance was provided to the Russian FIU. In Ukraine, OTA continued efforts to help streamline the national FIU and assisted Ukraine in developing a strategy for meaningful engagement with international money laundering control organizations and specific foreign enforcement and financial intelligence agencies. In Central America, additional training and technical assistance was provided to FIUs in Honduras, El Salvador, Panama and Venezuela.

## *Resident Advisors*

OTA resident advisors continued international support in the areas of money laundering and terrorist financing. The resident advisors in Bulgaria and Serbia continued efforts to streamline and enhance host governments' FIUs. Supporting national efforts against financial crimes was the focus of the OTA resident advisors in Peru, Paraguay, Albania, the Philippines, Ukraine, Zambia and Romania. OTA no longer has a resident advisor in Thailand, but continues to provide intermittent technical assistance to the Thai Department of Special Investigation. OTA has placed a second Resident Advisor for the Caribbean with a focus on bank regulatory compliance. OTA finalized arrangements this year for the placement of a resident advisor in Dakar, Senegal. This advisor will work closely with the government of Senegal as well as other countries in the West Africa region to facilitate further development of GIABA, the FATF-style regional body for western African nations.

## **Treaties and Agreements**

### *Treaties*

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

### *Agreements*

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

Financial Information Exchange Agreements (FIEAs) facilitate the exchange of currency transaction information between the U.S. Treasury Department and other finance ministries. The U.S. has FIEAs with Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, and Venezuela. Treasury's Financial

Crimes Enforcement Network (FinCEN) has a Memorandum of Understanding (MOU) or an exchange of letters in place with other FIUs to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in Argentina, Australia, Belgium, Canada, France, Guatemala, Italy, Japan, Netherlands, Netherlands Antilles, Panama, Poland, Russia, Singapore, Slovenia, South Korea, Spain, and the United Kingdom.

### *Asset Sharing*

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

From 1989 through December 2004, the international asset sharing program, administered by the Department of Justice, shared \$226,178,903 with foreign governments that cooperated and assisted in the investigations. In 2004, the Department of Justice transferred \$44,451,370 in forfeited proceeds to: Antigua-Barbuda (\$614,656), Colombia (\$13,322,028), Jordan (\$238,774), Peru (\$20,275,912) and the United Kingdom (\$10,000,000). Prior recipients of shared assets include: Anguilla, Argentina, the Bahamas, Barbados, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Greece, Guatemala, Guernsey, Hong Kong (SAR), Hungary, Isle of Man, Israel, Liechtenstein, Luxembourg, Netherlands Antilles, Paraguay, Romania, South Africa, Switzerland, Turkey, the United Kingdom, and Venezuela.

From Fiscal Year (FY) 1994 through FY 2004, the international asset-sharing program administered by the Department of Treasury shared \$27,408,032 with foreign governments which cooperated and assisted in successful forfeiture investigations. In FY 2004, the Department of Treasury transferred forfeited proceeds to: Australia (\$1,407,190), Canada (\$1,323,167), Netherlands (\$25,834) and Switzerland (\$2,168). Prior recipients of shared assets include: Aruba, Australia, the Bahamas, Cayman Islands, Canada, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Jersey, Mexico, Netherlands, Nicaragua, Panama, Portugal, Qatar, Switzerland, and the United Kingdom.

## **Multilateral Activities**

### *United Nations*

#### **United Nations Security Council Resolutions**

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

circumstances. A Monitoring Group reports to the UN 1267 Sanctions Committee on the implementation of the resolutions.

## **United Nations Security Council Resolution 1373**

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

UNSCR 1373 establishes a committee, the UN Counter-Terrorism Committee (CTC), to monitor implementation of the resolution and to receive reports from States on steps they have taken to implement the resolution.

## **UN International Convention for the Suppression of the Financing of Terrorism**

On December 9, 1999, the United Nations General Assembly adopted the International Convention for the Suppression of the Financing of Terrorism. It was opened for signature from January 10, 2000 to December 31, 2001. This Convention requires parties to criminalize the provision or collection of funds with the intent that they be used, or in the knowledge that they are to be used, to conduct certain terrorist activity. Article 18 of the Convention requires states parties to cooperate in the prevention of terrorist financing by adapting their domestic legislation, if necessary, to prevent and counter preparations in their respective territories for the commission of offenses specified in Article 2. To that end, Article 18 encourages implementation of numerous measures consistent with the FATF Forty Recommendations on Money Laundering. These measures, which states parties implement at their discretion, include the following: prohibiting accounts held by or benefiting people unidentified or unidentifiable; verifying the identity of the real parties to transactions; and, requiring financial institutions to verify the existence and the structure of the customer by obtaining proof of incorporation.

The Convention also encourages states parties to obligate financial institutions to report complex or large transactions and unusual patterns of transactions that have no apparent economic or lawful purpose, without incurring criminal or civil liability for good faith reporting; to require financial institutions to maintain records for five years; to supervise (for example, through licensing) money-transmission agencies; and to monitor the physical cross-border transportation of cash and bearer-negotiable instruments. Finally, the Convention addresses information exchange, including through the International Criminal Police Organization (Interpol). As of December 31, 2003, 107 states had become parties to the Convention; by December 31, 2004, 132 countries had become parties to the Convention.

### **UN Convention Against Transnational Organized Crime**

The UN Convention Against Transnational Organized Crime (Convention) was signed by 125 countries, including the United States, at a high-level signing conference December 12-14, 2000 in Palermo, Italy. It is the first legally binding multilateral treaty specifically targeting transnational organized crime. Two supplemental Protocols addressing trafficking in persons and migrant smuggling were also signed by many countries in Palermo. Each instrument enters into force on the ninetieth day after the 40th state deposits an instrument of ratification, acceptance, approval or accession. The Convention entered into force September 29, 2003, and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children entered into force December 25, 2003. However, at the end of 2003, the Protocol against the Smuggling of Migrants by Land, Sea and Air had not yet entered into force. As of the end of 2003, 59 countries had become parties to the Convention and by December 31, 2004, 94 countries had become parties.

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

### **UN Convention Against Corruption**

The UN Convention Against Corruption (Convention), signed by 96 countries, including the United States, at a high-level signing conference December 9-11, 2003 in Merida, Mexico, is the first legally binding multilateral treaty to address on a global basis the problems relating to corruption. The Convention expands on the provisions of existing regional anticorruption instruments to prevent corruption and provides channels for governments to recover assets that have been illicitly acquired by corrupt former officials. The Convention also provides for the criminalization of certain corruption-related activities such as bribery and money laundering, and for the provision of mutual legal assistance related to those activities. As the Convention against Transnational Organized Crime does, this Convention requires parties to institute a comprehensive domestic regulatory and supervisory regime for banks and financial institutions to deter and detect money laundering. That regime must emphasize requirements for customer identification, record keeping and reporting of suspicious transactions. As of December 2, 2004, 26 countries had become parties to the Convention.

### ***The Financial Action Task Force***

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

The FATF originally was given the responsibility of examining money laundering techniques and trends, evaluating anti-money laundering measures, and recommending additional steps to be taken. In 1990, the FATF first issued its Forty Recommendations on Money Laundering. These recommendations were designed to prevent proceeds of crime from being utilized in future criminal activities and affecting legitimate economic activity. Revised in 1996, and most recently in 2003, to reflect changes in money laundering patterns, these recommendations, along with the nine FATF

Special Recommendations on Terrorist Financing, are widely acknowledged as the international standards in these areas.

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

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

## **Non-Cooperative Countries and Territories (NCCT) Exercise**

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

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

In deciding whether a jurisdiction should be removed from the NCCT list, the FATF membership must be satisfied that a jurisdiction has addressed the previously identified deficiencies. The FATF relies on its collective judgment and on-site visits, and attaches particular importance to reforms in the areas of criminal law, financial supervision, customer identification, suspicious activity reporting, and international co-operation. Legislation and regulations must have been enacted and have come into effect before removal from the list may be considered. Additionally, the FATF seeks to ensure that the jurisdiction is implementing needed reforms. Thus, information related to institutional infrastructure, the filing and utilization of suspicious transaction reports, examinations of financial institutions, and the conduct of money laundering investigations, is considered.

During 2004, the FATF removed Egypt, Guatemala and Ukraine from its list of non-cooperative jurisdictions. At the close of 2004, six jurisdictions remained on the FATF's NCCT list: Burma, Cook Islands, Indonesia, Nauru, Nigeria, and Philippines. (Cook Islands, Indonesia, and the Philippines were removed in February 2005.)

## **Revision of the FATF Forty Recommendations on Money Laundering**

The FATF Forty Recommendations on Money Laundering constitute the generally accepted international anti-money laundering standard and cover such relevant areas as regulatory, supervisory and criminal law, as well as international cooperation. Money laundering methods and techniques change as new measures to combat money laundering are implemented and new technologies are developed. Therefore, in 2001 and again in 2003, the FATF embarked on a review of the FATF Forty

Recommendations to ensure that they were current. The most recent effort was concluded in June 2003, when the FATF released its latest revised Forty Recommendations.

### **Combating the Financing of Terrorism**

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

The FATF membership completed self-assessments against the Special Recommendations, and the FATF called upon all countries and jurisdictions to take part in a similar exercise. During 2004, recognizing the growing importance of the use of bulk cash smuggling to move terrorist funds, the FATF added Special Recommendation (SR) IX, Cash Couriers, to address the cross-border transportation of currency and bearer negotiable instruments. The FATF also provided additional interpretation and guidance with respect to its recommendations on terrorist financing. Included in this effort was the issuance of interpretive notes on cash couriers and on countries' obligations to criminalize terrorist financing (SRs II and IX).

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

### **The FATF and the International Financial Institutions**

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

A significant part of this enhanced role involves integrating anti-money laundering and counterterrorist financing (AML/CTF) considerations into the IFIs' financial sector assessment, surveillance and diagnostic activities. The IMF and World Bank are now including such assessments in the course of their Financial Sector Assessment Program (FSAP) reviews and in other aspects of their engagement with members. The IMF and World Bank collaborated closely with the FATF, other international standard setters (the Basel Committee of Banking Supervisors, the International Association of Insurance Supervisors, the International Organization of Securities Commissions) and the Egmont Group of Financial Intelligence Units to develop a comprehensive and unified methodology for measuring countries' implementation of AML/CTF principles, based on the FATF Forty Recommendations on Money Laundering and the FATF Special Recommendations on Terrorist Financing.

In 2004, the FATF, in cooperation with the IFIs, completed revising the comprehensive assessment methodology. The revised methodology was adopted by the FATF membership, and the IMF and World Bank Executive Boards agreed to use it to assess member compliance with AML/CTF principles.



## **The FATF 2004 Typologies Exercise**

The FATF conducted its annual typologies exercise (December 6-8, 2004), in Moscow, Russia to examine current and emerging methods, trends, and patterns in money laundering and terrorist financing, and to consider effective countermeasures. For the first time, the FATF invited a FATF style regional body, MONEYVAL, to co-chair the typologies exercise. The 2004 typologies exercise focused upon money laundering vulnerabilities in the insurance sector, human trafficking, and alternative remittance systems, and their relationships to terrorist financing.

## ***FATF-Style Regional Bodies (FSRBs)***

The FATF-style regional bodies (FSRBs), which are all observers of the FATF, have similar form and functions to those of the FATF, and some FATF members are also members of these bodies. The FSRBs are regional groups that interpret and implement the international standards developed by the FATF. The groups use peer pressure and mutual evaluations of member jurisdictions to encourage their laws' and practices' consistency with the FATF standards and recommendations. The FSRBs monitor those whose level of compliance is determined to be less than acceptable, and coordinate and/or provide technical assistance to those and other members. In 2004, two new groups were established—the Eurasian Group on Combating Money Laundering and Financing of Terrorism and the Middle Eastern Northern Africa Financial Action Task Force. The formation of these new groups leaves the Central Africa region as the only geographic region lacking a FSRB.

## **Asia/Pacific Group on Money Laundering**

In 2004, the Asia/Pacific Group on Money Laundering (APG) welcomed two new members—Cambodia and Mongolia—and is now comprised of 28 nations from South Asia, Southeast Asia, East Asia and the South Pacific. They include Australia, Bangladesh, Brunei Darussalam, Cambodia, Chinese Taipei, Cook Islands, Fiji Islands, Hong Kong China, India, Indonesia, Japan, Korea (Republic of), Macau China, Malaysia, Marshall Islands, Mongolia, Nepal, New Zealand, Niue, Pakistan, Palau, Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States and Vanuatu. There are also 11 observer jurisdictions and 16 observer international and regional organizations in the APG.

The APG's mission is to contribute to the global fight against money laundering, organized crime and terrorist financing in the Asia/Pacific region by enhancing anti-money laundering and counterterrorist financing efforts.

## **Caribbean Financial Action Task Force**

The Caribbean Financial Action Task Force (CFATF) continues to advance its anti-money laundering initiatives within the Caribbean basin. The CFATF's 30 members include Anguilla, Antigua and Barbuda, Aruba, Commonwealth of the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands and Venezuela. Additionally, there are seven Cooperating and Supporting Nations (COSUNs) and 14 observer organizations.

Members of the CFATF subscribe to a Memorandum of Understanding (MOU) that delineates the CFATF's mission, objectives, and membership requirements. All members are required to make a political commitment to adhere to and implement the FATF Forty Recommendations on Money Laundering and the FATF Special Recommendations on Terrorist Financing, and to undergo peer

review in the form of mutual evaluations to assess their level of implementation of the recommendations. Members are also required to participate in the activities of the body.

### **Council of Europe MONEYVAL**

MONEYVAL generally includes within its membership those Council of Europe member states that are not members of the FATF. MONEYVAL has 27 members: Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Poland, Romania, the Russian Federation, San Marino, Serbia and Montenegro, Slovakia, Slovenia and Ukraine. The terms of reference for the MONEYVAL Committee of the Council of Europe were amended in 2003 to permit the Russian Federation to continue its membership even after its accession to the FATF. MONEYVAL aims to encourage legal, financial and punitive measures among its members that are in line with international standards. To accomplish this, it relies on a system of mutual evaluations and peer pressure. MONEYVAL's mandate was most recently extended through the end of 2007.

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

### **Eastern and Southern African Anti-Money Laundering Group**

The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) was launched at a meeting of ministers and high-level representatives in Arusha, Tanzania, in August 1999 and held its first meeting in April 2000. The group maintains its Secretariat in Dar es Salaam, Tanzania. Its 14 member countries are Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The United States, United Kingdom, Commonwealth Secretariat, United Nations and World Bank serve as cooperating nations and organizations.

ESAAMLG coordinates with other international organizations that study emerging regional typologies, develop institutional and human resource capacities, and coordinate technical assistance to accomplish its mission to implement the FATF Forty Recommendations to combat money laundering in the region.

### **Eurasian Group on Combating Money Laundering and Financing of Terrorism**

The Memorandum of Understanding establishing the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was signed on October 6, 2004 by six member states: Belarus, China, Kazakhstan, Kyrgyz Republic, Russia and Tajikistan. Seven jurisdictions and nine international organizations were admitted as observers.

The EAG held its inaugural plenary on December 8, 2004 in Moscow, Russia. The Secretariat was officially formed, an Executive Secretary named and a 2005 work plan adopted. The primary goals of the EAG are to provide assistance to members in implementation of the FATF Recommendations; to analyze regional trends in money laundering and terrorist financing; and, to promote cooperation

within the region and coordinate technical assistance and programs with international organizations, working groups and interested jurisdictions.

## **Financial Action Task Force Against Money Laundering in South America**

The Memorandum of Understanding establishing the Financial Action Task Force Against Money Laundering in South America, (Grupo de Acción Financiera de Sudamerica Contra el Lavado de Activos or GAFISUD) was signed on December 8, 2000 by nine member states: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Peru, Paraguay and Uruguay. Mexico, Portugal, Spain, France, and the United States participate as cooperating and supporting countries (PACOs). The Inter-American Development Bank, the International Monetary Fund, the United Nations Office for Drug Control and Crime Prevention, the Egmont Group, and the World Bank are observers to GAFISUD. In addition, the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD) is a special advisory member. GAFISUD is committed to the adoption and implementation of the FATF Forty Recommendations and the FATF Nine Special Recommendations on Terrorist Financing. GAFISUD's mission also includes member self-assessment and mutual evaluation programs. A permanent Secretariat has been established in Buenos Aires, Argentina, and Uruguay has offered a training center as a permanent training venue for GAFISUD. GAFISUD has adopted an Action Plan to Counter Terrorism. GAFISUD has also endorsed the revised AML/CTF Methodology for assessing compliance with the FATF Recommendations and is using the Methodology in conducting its second round of mutual evaluations, which commenced in September 2004.

## **Middle East and North African Financial Action Task Force**

The Middle East North Africa Financial Action Task Force (MENAFATF) was launched at a meeting of ministers and high-level representatives in Bahrain, on November 29, 2004 and held its inaugural plenary the following day. The 14 founding members of the group are Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates and Yemen. An initial work-plan has been drafted for the group.

## **Inter-Governmental Action Group Against Money Laundering**

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

At the first meeting, GIABA endorsed the FATF Forty Recommendations on Money Laundering, recognized the FATF as an observer, and provided for self-assessment and mutual evaluation procedures to be carried out by GIABA. While the text prepared by the experts provided for a strong involvement of ECOWAS in the activities of GIABA, the Ministers agreed to give more autonomy to the new body. GIABA is a nascent organization that has not met since 2002, although in 2004 efforts were being made to revive the group.

## **Other Multi-Lateral Organizations & Programs**

### ***Caribbean Anti-Money Laundering Programme***

The U.S. Government, in partnership with the European Union and the UK Government, launched the Caribbean Anti-Money Laundering Programme (CALP) on March 1, 1999. The Programme was designed as a four-year project to assist the 21 Caribbean Basin member countries of CARIFORUM (the representative organization for Caribbean countries) to develop their anti-money laundering procedures. In actuality, the CALP ran for five years, terminating in December 2004.

The two primary objectives of the CALP were:

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

The Programme consisted of three separate, yet interlinked, sub-programs:

#### ***Legal/Judicial***

After conducting worldwide research of anti-money laundering laws, regulations and working practices, the legal/judicial advisor made appropriate recommendations to the respective member countries to ensure they have the necessary legal structures in place to combat money laundering. Countries with very limited facilities were also provided legislative drafting assistance. Training was given to prosecutors, magistrates and judges. Awareness training also was given to other organizations within the financial and law enforcement sectors. In 2002, the CALP legal advisor developed a Model Terrorist Financing Law for use by the common law countries covered by the CALP. This model legislation is being considered for adoption by other Commonwealth countries, and particularly by member countries of the Eastern and Southern African Anti-Money Laundering Group.

#### ***Financial Sector***

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

#### ***Law Enforcement***

The Law Enforcement expert was principally concerned with the development of training to enable Caribbean law enforcement officers to effectively investigate offenses brought to their attention. The

training, from basic to advanced level, was developed in association with Caribbean law enforcement training establishments. The objective was for such establishments to continue training once the CALP ended. A further objective of this sub-program was to encourage all member countries to form their own Financial Intelligence Units (FIUs), with staff trained to liaise with the financial sector, analyze reported suspicious financial activity and prepare intelligence reports to assist the law enforcement officers to investigate suspected offenses.

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

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

The CALP's major thrust was to assist countries of the Eastern Caribbean to improve their anti-money laundering systems and working practices so as to allow them to be removed from the FATF Non Cooperating Countries and Territories (NCCT) list. As of June 2003, this objective was accomplished.

Throughout its life, the CALP undertook a variety of regulatory, law enforcement and legal/judicial training initiatives in accordance with its primary objective of helping to ensure program sustainability in the region. Jamaica has accepted full responsibility for basic training for financial investigators at its Regional Drug Law Enforcement Training Center (REDTRAC), and the Regional Police Training School in Barbados has taken over the Advanced Investigators Training courses. Moreover, "train the trainer" initiatives in the financial sector have been amplified with the updating and distribution of the CALP's five training videos/CDs so that relevant financial organizations in the region may undertake their own training in the future.

In the legal/judicial sector, the University of the West Indies and the University of Florida have developed a legal faculty in anti-money laundering laws and practices. Via Internet on-line course work, aimed at lawyers, police officers and bankers, successful students will be awarded a diploma, which they may then apply to further study for a university degree.

The holistic approach undertaken by the CALP proved to be very successful. The combination of training and mentoring, using resident advisors, allowed for consistent assistance to the regional jurisdictions on a timely basis and helped to effect the sustainability of the individual regimes. The design of the CALP will serve as a model for future regional programs.

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

The Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) is responsible for combating illicit drugs and related crimes, including money laundering. In 2004, the commission carried out a variety of anti-money laundering and counterterrorist financing initiatives. These included amending model regulations for the Hemisphere to include techniques to combat terrorist financing, developing a variety of associated training initiatives and participating in a number of anti-money laundering/counterterrorism meetings. This work in the area of money laundering and financial crimes also figures prominently in CICAD's Multilateral Evaluation Mechanism (MEM), which involves the participation of all 34 member states, and in 2004, included the updating and revision of some 80 questionnaire indicators through which the countries mutually evaluate regional efforts and projects.

CICAD's Group of Experts on Money Laundering met in July and October 2004 and developed modifications to the model money laundering legislation, which were approved by the 36th session of the CICAD Plenary. The new legislative guidelines include language on the autonomy of the offense, special investigative techniques and measures for effective asset forfeiture. At the two meetings, the money laundering group also reviewed a variety of case studies from the Hemisphere involving, for example, the use of remittance services and exchange houses by money launderers and international cooperation in transnational investigations and forfeiture matters.

In other activity, CICAD worked with the International Development Bank (IDB) and with the Government of France to carry out training for a variety of countries on combating money laundering, conducting effective financial investigations, and recovering financial and other assets diverted through corrupt practices. For example, training seminars for prosecutors and judges focused on new trends in prosecution, in particular, the autonomy of the offense, evidence and judicial cooperation, were held in Colombia, Chile and Uruguay in 2004, and are still ongoing in Brazil. Similarly, the first stage course work on financial investigations was completed. It focused on investigating the assets of criminal organizations and was provided to law enforcement officials from Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. The second stage is still ongoing. In Uruguay, CICAD, IDB and the South American Financial Action Task Force (GAFISUD) co-sponsored a seminar for Attorneys, Notaries Public and Accountants focused on raising awareness among professionals who have an obligation to prevent and report money laundering.

Based upon an agreement for nearly \$2 million concluded in 2002 with the Inter-American Development Bank (IADB), CICAD is currently conducting a two-year project to strengthen Financial Intelligence Units (FIUs) in Argentina, Bolivia, Brazil, Chile, Ecuador, Peru, Uruguay and Venezuela. In 2004, activities included evaluation of strategic plans for the various FIUs, development of training modules based upon local circumstances, and execution of specific technical assistance in Bolivia, Argentina, Peru and Venezuela. Upon its request, Colombia is being included in the project.

CICAD participated in a variety of meetings and conferences in 2004, focused on money laundering and financial crimes. These included conferences sponsored by the Colombian FIU and the UN Global Programme Against Money Laundering; two CFATF meetings in Trinidad and Tobago and Panama; the Andean Seminar on Money Laundering and Drug Trafficking in Bogotá, Colombia; and GAFISUD meetings in Buenos Aires and Lima. At the invitation of the UN Global Programme Against Money Laundering, the head of CICAD's Anti-Money Laundering Unit participated in the drafting of the UN, World Bank and IMF Model Law at sessions in Vienna, Brussels and Washington.

In other activity in 2004, CICAD advised Paraguay on the technical design of its FIU and provided equipment to the agency, and published an international assessment of the judiciary's participation in enforcing anti-money laundering laws.

### ***The Egmont Group of Financial Intelligence Units***

An important component of the international community's approach to combating money laundering and terrorist financing is the global network of financial intelligence units (FIUs). An FIU is a centralized unit formed by a nation or jurisdiction to detect criminal activity, and ensure adherence to laws against financial crimes, including terrorist financing and money laundering. Since 1995, FIUs have been working together in an informal organization known as the Egmont Group (named for the location of the first meeting at the Egmont-Arenberg Palace in Brussels). Since the first meeting, the number of established FIUs has grown dramatically. At the first Egmont Group meeting in 1995, 20 units met in Brussels; today there are 94 recognized members of the Egmont Group. The following FIUs joined the Egmont Group in 2004: Belize, Cook Islands, Egypt, Georgia, Gibraltar, Grenada, Indonesia, Macedonia, St. Kitts & Nevis, and Ukraine. The Egmont Group is an international network designed to improve interaction among FIUs in the areas of communications, information sharing, and

training coordination. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence information, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology. The Egmont Group's secure Internet system permits members to communicate with one another via secure e-mail, requesting and sharing case information as well as posting and assessing information regarding trends, analytical tools and technological developments. FinCEN, on behalf of the Egmont Group, maintains the Egmont Secure Web (ESW). Currently, there are 87 FIUs connected to the ESW.

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

Within the Egmont Group, there are five working groups (Legal, Operational, Training/Communications, Information Technology (IT), and Outreach). The Legal Working Group reviews the candidacy of potential members and handles all legal aspects and matters of principle within the Egmont Group. The Training/Communications Working Group looks at ways to communicate more effectively, identifies training opportunities for FIU personnel and examines new software applications that might facilitate analytical work. The Outreach Working Group concentrates on expanding and developing the FIU global network by identifying countries that have established or are establishing FIUs. Outreach is responsible for making initial contact with potential candidate FIUs, and conducts assessments to determine if an FIU is ready for Egmont membership.

The Operational Working Group is designed to foster increased cooperation among the operational divisions of the member FIUs and coordinate the development of studies and typologies-using data collected by the FIUs-on a variety of subjects useful to law enforcement. These include such topics as trafficking in women, money laundering using precious metals, and detecting financial activity generated from efforts to procure, transport, or produce weapons of mass destruction (WMD). The fifth and newest working group, the IT Working Group, was established in 2004 at the Egmont Group Plenary in Guernsey. The IT Working Group is designed to promote collaboration and information sharing on IT matters among the Egmont membership. Egmont's leadership is confident this new working group will increase the efficiency in the allocation of resources and technical assistance regarding IT systems.

In 2004, the Egmont Group continued its efforts to educate the public about its important programs and its role in the global fight against financial crimes via the Egmont web site ([www.egmontgroup.org](http://www.egmontgroup.org)), which has been on-line since September 2003. Over the past year, a significant amount of general public documents and information about upcoming meetings of the Egmont Group has been placed on the public site and the site continues to serve as an effective forum for public dialogue on the functions and operations of FIUs.

As of December 2004, the members of the Egmont Group are Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Aruba, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda, Bolivia, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, Colombia, Cook Islands, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Egypt, El Salvador, Estonia, Finland, France, Georgia, Germany, Gibraltar, Greece, Grenada, Guatemala, Guernsey, Hong Kong, Hungary, Iceland, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malaysia,

Malta, Marshall Islands, Mauritius, Mexico, Monaco, Netherlands, Netherlands Antilles, New Zealand, Norway, Panama, Paraguay, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, St. Kitts & Nevis, St. Vincent & the Grenadines, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Vanuatu and Venezuela.

### ***Pacific Islands Forum***

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

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

Because many of the PIF members are hampered by a lack of resources, the UN Global Programme against Money Laundering, the United States, Australia, New Zealand and France are providing assistance to the PIF members through the PIF Secretariat. In 2003, border control training sessions were held for the member jurisdictions. In addition, a program was initiated to help maintain stability in the region by promoting regional cooperation through the development of laws and procedures to prevent terrorism and transnational crime, and to comply with the provisions of UNSCR 1373 and the FATF Nine Special Recommendations on Terrorist Financing. A multi-lateral legal experts working group was established to achieve these goals. The group discussed a regional framework, including model legislation, to address terrorism and organized crime. The draft model law was endorsed at the Forum Leaders meeting in August 2003, and member jurisdictions were urged to enact the legislation as soon as it was finalized. Australia, New Zealand and Samoa criminalized terrorist financing prior to 2004. In 2004, the Cook Islands and Nauru did so.

### ***United Nations Global Programme Against Money Laundering***

The United Nations is one of the most experienced global providers of anti-money laundering (AML) training and technical assistance, and since 9-11, terrorist financing. The United Nations Global Programme against Money Laundering (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist Member States to comply with the UN Conventions and other instruments that deal with money laundering and terrorist financing. These now include the United Nations Convention against Trafficking in Narcotics and Psychotropic Substances (the Vienna Convention), the United Nations Convention for the Suppression of the Financing of Terrorism, the United Nations Convention against Transnational Organized Crime (the Palermo Convention), and the United Nations Convention against Corruption. The GPML is the focal point for AML within the UN system and provides technical assistance and training in the development of



related legislation, infrastructure and skills, directly assisting Member States in the detection, seizure and confiscation of illicit proceeds and the funding of terrorism.

Since 2001, the GPML has broadened this work to help Member States counter the financing of terrorism. The GPML now incorporates a focus on counterterrorist financing (CTF) in all its technical assistance work. In 2004, the GPML completed model CTF legislative provisions for common law systems, and continued to work closely with the U.S. Department of Justice and the Organization for Security and Cooperation in Europe (OSCE) to deliver CTF training, particularly in the Central Asia region and Africa.

Highlights of GPML's work in the first half of 2004 included the extensive development of its global computer-based training (CBT) initiative. The initiative, based in Bangkok, provided 12 hours of interactive AML/CTF training for global delivery in 2004. Delivery in the Pacific Region includes training to several thousand officials, including law enforcement, legal, and financial personnel, in seven jurisdictions, including Fiji, the Cook Islands and Vanuatu. In the first half of 2004, the GPML produced a French-language version for use in French-speaking Africa, and elsewhere. The pilot was completed in July 2004 in Dakar, Senegal.

In 2004, GPML assigned a staff member to the UNODC Regional Centre, East Asia and the Pacific (RCEAP) in Bangkok to establish and implement the Programme's CBT strategy. During the year, the staff member piloted and implemented CBT for the GPML in multiple locations throughout Africa, Asia, and the Pacific, and assisted in the development of new products.

In October 2004, the GPML produced AML/CFT versions of the CBT in both Spanish and Russian. The GPML entered into a partnership with OAS-CICAD for joint delivery of the Spanish version in Latin America. The training program has flexibility in terms of language, level of expertise, target audience and theme. Computer-based training is particularly applicable in countries and regions with limited resources and law enforcement skills as it can be used for a sustained period of time. As an approach, CBT lends itself well to the GPML's global technical assistance operations.

The GPML provided technical assistance and training to more than 50 countries and jurisdictions throughout the world in 2004. The UN mentor based in the Pacific region, a joint initiative with the Commonwealth Secretariat, the Pacific Islands Forum Secretariat (PIFS) and the United States, gave technical assistance directed towards improving financial investigations to a number of offshore financial center jurisdictions at high risk for abuse by money launderers, including the Cook Islands, Marshall Islands, Fiji, and Vanuatu. He also organized a successful series of workshops on financial investigations, in partnership with PIFS. In August, Fiji made the largest ever drug seizure in the Southern Hemisphere, with the GPML mentor's technical assistance in financial investigations playing a key role in the operation.

The UN mentor based in Tanzania, with the Secretariat of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), provided training to 14 countries and assisted the Secretariat and Member States in preparing for FATF-style mutual evaluations. The mentor also participates with U.S. interagency training teams in providing assistance to the President's East Africa Counter-Terrorism Initiative. In collaboration with the World Bank, the GPML also placed a regional mentor for Central Asia in Almaty, Kazakhstan. At the national level, a GPML mentor began work in the financial intelligence unit of the Government of the Philippines. Mentors and experts also gave support to the development of the legal, administrative, analytical and international co-operation capacity of other national governments. In addition, the GPML assisted in legislative drafting for many countries, including Kyrgyz Republic, Kazakhstan, Azerbaijan and South Africa, and conducted a two-day workshop on AML/CTF compliance for Israeli banking, insurance and securities supervisors and regulators.

The GPML's Mentor Programme is one of the most successful and well-known activities of international AML/CTF technical assistance and training, and is increasingly serving as a model for other organizations' initiatives. It is one of the core activities of the GPML technical assistance program. In 2004, the GPML consolidated the program, providing on-the-job training that adapts international standards to specific local/national situations, rather than traditional, generic training seminars. The concept originated in response to repeated requests from Member States for longer-term international assistance in this technically demanding and rapidly evolving field. The GPML provides experienced prosecutors and law enforcement personnel who work side-by-side with their counterparts in a target country for several months at a time on daily operational matters to help develop capacity. Some advise governments on legislation and policy, while others focus on operating procedures.

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

The GPML was among the first technical assistance providers to recognize the importance of countries' creating a financial intelligence capacity, and the program's mentors worked extensively with the development and the implementation phases of Financial Intelligence Units (FIUs) in several countries in the Eastern Caribbean and the Pacific regions. Both the Mentor Programme and the CBT program make a priority of technical assistance and training to FIUs, among other institutions. In 2004, the GPML also continued its support of the Egmont Group of FIUs, co-organizing the Egmont Group/GPML Training Workshop for FIU personnel and hosting, with the Egmont Group, a workshop on FIU strategic analysis.

In response to countries' concerns about the difficulties of implementing AML/CTF policies in cash-based economies, and the prevalence in some regions of cash couriers, the GPML organized an informal expert working group entitled: Back to Basics: Targeting Proceeds of Crime in Cash Economies. The group met for the first time in Vienna to work out approaches to identifying, seizing and confiscating criminal proceeds in countries where use of the formal financial system is minimal. The outcome of the deliberations will form the basis of technical assistance planning and delivery options for such countries.

The GPML runs the Anti-Money Laundering International Database (AMLID) on the International Money Laundering Information Network (IMoLIN), an online, password-restricted analytical database of national AML legislation that is available only to public officials. The GPML also maintains an online AML/CTF legal library. IMoLIN ([www.imolin.org](http://www.imolin.org)) is a practical tool in daily use by government officials, law enforcement and lawyers. The Programme runs this database on behalf of the UN and eight major international partners in the field of anti-money laundering: the Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Commonwealth Secretariat, the Council of Europe, the Financial Action Task Force (FATF), Interpol, the Organization of American States (OAS) and the World Customs Organization. The GPML is constantly updating the relevant information on national and international measures, conventions and legislation.

## Major Money Laundering Countries

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

The 2004 INCSR assigned priorities to jurisdictions using a classification system consisting of three differential categories titled Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

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

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of a number of factors that can include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crime; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (for example, whether it involves drugs or other contraband); (4) the ways in which the United States regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and U.S. government agencies. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered an "Other Jurisdiction Monitored" or a "Jurisdiction of Concern". A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions quick, continuous and effective anti-money laundering efforts by the government are critical. While the actual money laundering problem in jurisdictions classified "Concern" is not as acute, they too must

undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the “Other” category do not pose an immediate concern, it will nevertheless be important to monitor their money laundering situations because, under the right circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

### ***Vulnerability Factors***

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

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

# Money Laundering and Financial Crimes

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

## ***Changes in INCSR Priorities, 2004***

Jurisdiction moving from the Primary Concern Column to the Concern Column: Nauru

Jurisdictions moving from the Concern Column to the Primary Concern Column: Belize and Cambodia

Jurisdictions moving from the Other Column to the Concern Column: Uzbekistan

The following countries were added to the Money Laundering & Financial Crimes report this year and are included in the “Other” Column: Cape Verde, Equatorial Guinea, Iraq, and Mauritania. Comoros was also added to the INCSR this year and is included in the “Concern” Column.

In the Country/Jurisdiction Table on the following page, “major money laundering countries” that are in the “jurisdictions of primary concern” column are identified for purposes of statutory INCSR reporting requirements. Identification as a “major money laundering country” is based on whether the country or jurisdiction’s financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction’s legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These

factors, however, are included among the vulnerability factors when deciding whether to place a country in the “concern” or “other” column.

## Country/Jurisdiction Table

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

## *Introduction to Comparative Table*

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2004 that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that define legislative activity and identify other characteristics that can have a relationship to money laundering vulnerability.

### *Glossary of Terms*

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



13. “Know Your Customer”: By law, the jurisdiction requires financial institutions to identify and verify their customers identity using reliable independent source documents, identify beneficial ownership and control, and conduct ongoing due diligence and scrutiny.
14. “States Parties to 1988 UN Drug Convention”: As of December 31, 2001, a party to the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.<sup>1</sup>
15. “Criminalized the Financing of Terrorism.” The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.
16. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism.” As of December 31, 2003, a party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

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<sup>1</sup> The United Kingdom extended its application of the 1988 Convention and the United Kingdom Terrorism Order 2001 to Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, Turks and Caicos, Isle of Man, Jersey, and Guernsey. The International Convention for the Suppression of the Financing of Terrorism has not yet been so extended.

## Comparative Table

Actions by Governments	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Asset s	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention
Government/Jurisdiction																
Afghanistan	Y	Y	N	Y	M	N	Y	N	Y	N	Y	N	Y	Y	Y	Y
Albania	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y
Algeria	N	N	N	N	M	N	N	N	N	Y	N	N	N	Y	Y	Y
Andorra	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	N	N
Angola	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N
Anguilla <sup>1</sup>	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Antigua & Barbuda	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Argentina	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Armenia	Y	Y	N	Y	M	N	N	N	N	Y	Y	N	Y	Y	N	Y
Aruba	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Australia	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Austria	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Azerbaijan	Y	N	N	Y	N	N	N	N	N	Y	Y	N	Y	Y	Y	Y
Bahamas	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	N	Y
Bangladesh	Y	Y	N	Y	M	N	N	N	N	N	Y	N	Y	Y	N	N
Barbados	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belarus	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belize	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Benin	Y	N	Y	N	M	N	Y	N	Y	Y	N	N	Y	Y	N	Y

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

# Money Laundering and Financial Crimes

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

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

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

# Money Laundering and Financial Crimes

Actions by Governments																
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention
Ghana	Y	Y	N	Y	N	N	Y	N	Y	Y	Y	Y	N	Y	N	Y
Gibraltar <sup>1</sup>	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N
Greece	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Grenada	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Guatemala	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Guernsey <sup>1</sup>	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Guinea	Y	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y
Guinea-Bissau	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Guyana	Y	Y	N	Y	M	N	Y	N	N	Y	Y	N	Y	Y	N	N
Haiti	Y	Y	Y	Y	M	N	Y	N	N	Y	N	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Hong Kong	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Iceland	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
India	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Indonesia	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Iran	N	N	N	N	N	N	N	N	N	N	Y	N	N	Y	N	N
Iraq	Y	Y	N	Y	M	N	Y	N	N	Y	N	Y	Y	Y	Y	N
Ireland	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Isle of Man <sup>1</sup>	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Italy	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Jamaica	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N

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

Actions by Governments	Actions by Governments															
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention
Japan	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Jersey <sup>1</sup>	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Jordan	Y	Y	N	Y	M	N	N	Y	N	N	Y	Y	Y	Y	Y	Y
Kazakhstan	Y	N	N	Y	P	N	N	N	N	Y	Y	N	N	Y	N	Y
Kenya	Y	N	Y	Y	P	N	Y	N	Y	Y	Y	N	N	Y	N	Y
Korea (DPRK)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Korea (Republic of)	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Kosovo <sup>2</sup>	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	N	N	N
Kuwait	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	N
Kyrgyz Republic	N	N	N	N	P	N	Y	N	N	N	N	N	Y	Y	N	Y
Laos	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Latvia	Y	Y	Y	Y	M	Y	N	N	Y	N	Y	Y	Y	Y	N	Y
Lebanon	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N
Lesotho	N	N	Y	Y	M	N	N	N	Y	N	Y	N	Y	Y	N	Y
Liberia	Y	Y	N	N	N	N	N	N	N	Y	N	N	N	N	N	Y
Liechtenstein	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y
Lithuania	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Luxembourg	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Macau	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Madagascar	Y	Y	N	Y	N	N	Y	N		N	Y	Y	Y	Y	N	Y
Malawi	N	N	Y	Y	P	N	N	N		N	N	N	N	Y	N	Y

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

<sup>2</sup> Kosovo is under the supervision of the UN and is not a sovereign state.

## Money Laundering and Financial Crimes

Actions by Governments	Actions by Governments															
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention
Malaysia	Y	Y	N	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	N	N	M	N	Y	N		N		N	N	Y	Y	Y
Mali	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	N	Y	Y	Y
Malta	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Marshall Islands	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y
Mauritania	Y	N	Y	N	N	N	Y	N	Y	N	Y	N	N	Y	N	Y
Mauritius	Y	Y	N	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Mexico	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Micronesia	Y	Y	N	Y	N	N	Y	N	Y	N	Y	N	Y	Y	N	Y
Moldova	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Monaco	Y	Y	N	Y	M	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y
Mongolia	N	N	N	N	N	N	Y	N	N	N	N	N	Y	Y	N	Y
Montenegro	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	N	Y	Y	N	Y
Montserrat <sup>1</sup>	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Morocco	N	N	N	Y	M	N	N	N	N	Y	Y	N	Y	Y	Y	Y
Mozambique	Y	Y	Y	Y	M	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Namibia	Y	Y	Y	Y	M	N	N	N	N	N	N	Y	N	Y	N	N
Nauru	Y	Y	N	Y	M	N	Y	Y	Y	N	Y	Y	Y	N	Y	N
Nepal	N	N	N	Y	N	N	Y	N	Y	N	N	N	N	Y	N	N
Netherlands	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
Netherlands Antilles	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
New Zealand	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Nicaragua	Y	N	Y	Y	M	N	Y	N	Y	Y	Y	N	N	Y	N	Y

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

Actions by Governments	Actions by Governments															
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention
Niger	Y	Y	Y	N	M	N	Y	N	Y	N	N	Y	N	Y	N	Y
Nigeria	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Niue <sup>1</sup>	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	N	N	N
Norway	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Oman	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	N	N
Pakistan	Y	N	N	Y	M	N	Y	N	N	N	Y	M	Y	N	Y	N
Palau	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	N	N	N	Y
Panama	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Papua New Guinea	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
Paraguay	Y	Y	Y	Y	M	Y	N	N	Y	Y	Y	Y	N	Y	N	Y
Peru	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Philippines	Y	Y	Y	Y	M	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Poland	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Portugal	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Qatar	Y	Y	Y	Y	M	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	M	Y	N	N	N	N	Y	Y	Y	Y	Y	Y
Russia	Y	Y	Y	Y	M	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Rwanda	N	N	N	N	N	N	N	N	Y	N	N	N	N	Y	N	Y
Samoa	Y	Y	N	Y	M	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
San Marino	Y	Y	N	Y	M	N								Y	N	Y
Sao Tome & Principe	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Saudi Arabia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	N
Senegal	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Serbia	Y	Y	Y	Y	M	Y	N	Y	Y	N	Y	Y	Y	Y	N	Y

<sup>1</sup> Niueans are citizens of New Zealand; Niue is not a member of the UN.



## Money Laundering and Financial Crimes

Actions by Governments																	
	Criminalized Drug Money Laundering	Criminalized Beyond Drugs	Record Large Transactions	Maintain Records Over Time	Report Suspicious Transactions (NMP)	Financial Intelligence Unit	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Cooperates w/International Law Enf.	Int'l. Transportation of Currency	Mutual Legal Assistance	Non-Bank Financial Institutions	Disclosure Protection "Safe Harbor"	States Party to 1988 UN Convention	Criminalized Financing of Terrorism	Internat'l Terrorism Financing Convention	
Seychelles	Y	Y	N	Y	M	N	Y	N		N	Y	Y	Y	Y	Y	Y	
Sierra Leone	N	N	N	Y	P	N	N	N	N	N	N	N	N	Y	N	Y	
Singapore	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	
Slovakia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	
Slovenia	Y	Y	Y	Y	M	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	
Solomon Islands	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	
South Africa	Y	Y	N	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	
Spain	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Sri Lanka	N	N	N	N	N	N	N	N	N	N	Y	N	Y	Y	Y	Y	
St Kitts & Nevis	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
St. Lucia	Y	Y	N	Y	M	N	Y	N	Y	N	Y	Y	Y	Y	N	N	
St. Vincent/Grenadines	Y	Y	N	Y	M	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	
Suriname	Y	Y	N	Y	M	N	Y	N	N	N	Y	Y	Y	Y	N	N	
Swaziland	Y	Y	Y	Y	M	N	Y	N	Y	N	Y	N	Y	Y	N	Y	
Sweden	Y	Y	Y	Y	M	Y	Y		Y	N	Y	Y	Y	Y	Y	Y	
Switzerland	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	
Syria	Y	Y	N	Y	N	N	Y	N	N	N	Y	N	N	Y	N	N	
Taiwan <sup>1</sup>	Y	Y	Y	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	
Tajikistan	Y	Y	N	N	N	N	N	N	N	Y	Y	N	N	Y	Y	Y	
Tanzania	Y	N	Y	Y	P	N	Y	N	Y	N	Y	N	Y	Y	Y	Y	
Thailand	Y	Y	Y	Y	M	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	
Togo	Y	N	Y	Y	N	N	Y	N	Y	N	Y	N	Y	Y	Y	Y	
Tonga	Y	Y	Y	Y	M	N	Y	N	Y	Y	N	N	N	Y	N	Y	
Trinidad & Tobago	Y	Y	Y	Y	M	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	

<sup>1</sup> Taiwan is not a member of the UN.

Actions by Governments	Criminalized Drug Money Laundering		Criminalized Beyond Drugs		Record Large Transactions		Maintain Records Over Time		Report Suspicious Transactions (NMP)		Financial Intelligence Unit		System for Identifying/Forfeiting Assets		Arrangements for Asset Sharing		Cooperates w/International Law Enf.		Int'l. Transportation of Currency		Mutual Legal Assistance		Non-Bank Financial Institutions		Disclosure Protection "Safe Harbor"		States Party to 1988 UN Convention		Criminalized Financing of Terrorism		Internat'l Terrorism Financing Convention	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Tunisia	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Turkey	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Turkmenistan	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Turks & Caicos <sup>1</sup>	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Uganda	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Ukraine	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
United Arab Emirates	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
United Kingdom	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
United States	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Uruguay	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Uzbekistan	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Vanuatu	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Venezuela	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Vietnam	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Yemen	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Zambia	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Zimbabwe	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N

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