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**Bureau for International Narcotics and Law  
Enforcement Affairs**

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Narcotics Control  
Strategy Report**

**Volume II**

**Money Laundering and  
Financial Crimes**

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## Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FI	Financial Institution
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FTZ	Free Trade Zone
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFISUD	Financial Action Task Force on Money Laundering in South America
GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
ICE	Immigration and Customs Enforcement
ICRG	International Cooperation Review Group
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 East and North Africa Financial Action Task Force

MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
MVTS	Money Value Transfer Service
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption

## Definitions

**AML/CFT - Anti-Money Laundering/Combating the Financing of Terrorism:** Collective term used to describe the overall legal, procedural, and enforcement regime countries must implement.

**Bearer Shares:** A bearer share is an equity security that is solely owned by whoever holds the physical stock certificate. The company that issues the bearer shares does not register the owner of the stock nor does it track transfers of ownership. The company issues dividends to bearer shareholders when a physical coupon is presented.

**BMPE – Black Market Peso Exchange:** One of the most pernicious money laundering schemes in the Western Hemisphere. It is also one of the largest, processing billions of dollars' worth of drug proceeds a year from Colombia alone via trade-based money laundering (TBML), "smurfing," cash smuggling, and other schemes. BMPE-like methodologies are also found outside the Western Hemisphere. There are variations on the schemes involved, but generally brokers contact importers in the country receiving the money who want to buy goods from a U.S. business. Drug dollars are used to pay the exporter on behalf of the foreign importer. The importer pays the broker in local currency; the broker takes a cut and passes along the remainder to the responsible drug cartel.

**Bulk Cash Smuggling:** Bulk cash refers to the large amounts of currency notes criminals accumulate as a result of various types of criminal activity. Smuggling, in the context of bulk cash, refers to criminals' subsequent attempts to physically transport the money from one country to another.

**CDD/KYC – Customer Due Diligence/Know Your Customer:** The first step financial institutions must take to detect, deter, and prevent money laundering and terrorism financing, namely, maintaining adequate knowledge and data about customers and their financial activities.

**Cross-border currency reporting:** Per FATF recommendation, countries should establish a currency declaration system that applies to all incoming and outgoing physical transportation of cash and other negotiable monetary instruments.

**Counter-valuation:** Often employed in settling debts between hawaladars or traders. One of the parties over-or-undervalues a commodity or trade item such as gold, thereby transferring value to another party and/or offsetting debt owed.

**CTR – Currency Transaction Report:** Financial institutions in some jurisdictions are required to file a CTR whenever they process a currency transaction exceeding a certain amount. In the United States, for example, the reporting threshold is \$10,000. The amount varies per jurisdiction. These reports include important identifying information about accountholders and the transactions. The reports are generally transmitted to the country's financial intelligence unit (FIU).

**Digital Currency:** Digital currency is an internet-based form of currency or medium of exchange, distinct from physical currencies or forms of value such as banknotes, coins, and gold. It is electronically created and stored. Some forms are encrypted. They allow for instantaneous

transactions and borderless transfer of ownership. Digital currencies generally can be purchased, traded, and exchanged among user groups and can be used to buy physical goods and services, but can also be limited or restricted to certain online communities such as a given social network or internet game. Digital currencies are purchased directly or indirectly with genuine money at a given exchange rate and can generally be remotely redeemed for genuine monetary credit or cash. According to the U.S. Department of Treasury, digital currency operates like traditional currency, but does not have all the same attributes; i.e., it does not have legal tender status.

**Egmont Group of FIUs:** The international standard-setter for financial intelligence units (FIUs). The organization was created with the goal of serving as a center to overcome the obstacles preventing cross-border information sharing between FIUs.

**FATF-Financial Action Task Force:** FATF was created by the G7 leaders in 1989 in order to address increased alarm about money laundering's threat to the international financial system. This intergovernmental policy making body was given the mandate of examining money laundering techniques and trends and setting international standards for combating money laundering and terrorist financing.

**FIU – Financial Intelligence Unit:** In many countries, a central national agency responsible for receiving, requesting, analyzing, and/or disseminating disclosures of financial information to the competent authorities, primarily concerning suspected proceeds of crime and potential financing of terrorism. An FIU's mandate is backed up by national legislation or regulation. The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit

**FSRB – FATF-style Regional Body:** These bodies – which are modeled on FATF and are granted certain rights by that organization – serve as regional centers for matters related to AML/CFT. Their primary purpose is to promote a member jurisdiction's implementation of comprehensive AML/CFT regimes and implement the FATF recommendations.

**Hawala:** A centuries-old broker system based on trust, found throughout South Asia, the Arab world, and parts of Africa, Europe, and the Americas. It allows customers and brokers (called "hawaladars") to transfer money or value without physically moving it, often in areas of the world where banks and other formal institutions have little or no presence. It is used by many different cultures, but under different names; "hawala" is used often as a catchall term for such systems in discussions of terrorism financing and related issues.

**Hawaladar:** A broker in a hawala or hawala-type network.

**IBC - International Business Company:** Firms registered in an offshore jurisdiction by a non-resident that are precluded from doing business with residents in the jurisdiction. Offshore entities may facilitate hiding behind proxies and complicated business structures. IBCs are frequently used in the "layering" stage of money laundering.

**Integration:** The last stage of the money laundering process. The laundered money is introduced into the economy through methods that make it appear to be normal business activity, to include real estate purchases, investing in the stock market, and buying automobiles, gold, and other high-value items.



**KP – Kimberly Process:** The Kimberly Process was initiated by the UN to keep “conflict” or “blood” diamonds out of international commerce, thereby drying up the funds that sometimes fuel armed conflicts in Africa’s diamond producing regions.

**Layering:** This is the second stage of the money laundering process. The purpose of this stage is to make it more difficult for law enforcement to detect or follow the trail of illegal proceeds. Methods include converting cash into monetary instruments, wire transferring money between bank accounts, etc.

**Legal Person:** An individual, company, or other entity that has legal rights and is subject to obligations. In the FATF Recommendations, a legal person refers to a partnership, corporation, or other established entity that can conduct business or own property, as opposed to a human being.

**ME - Mutual Evaluation:** All FATF and FSRB members have committed to undergoing periodic multilateral monitoring and peer review to assess their compliance with FATF’s recommendations. Mutual evaluations are one of the FATF’s/FSRB’s primary instruments for determining the effectiveness of a country’s AML/CFT regime.

**MER – Mutual Evaluation Report:** At the end of the FATF/FSRB mutual evaluation process, the assessment team issues a report that describes the country’s AML/CFT regime and rates its effectiveness and compliance with the FATF Recommendations.

**Mobile Payments or M-Payments:** An umbrella term that generally refers to the growing use of cell phones to credit, send, receive, and transfer money and digital value.

**Natural Person:** In jurisprudence, a natural person is a real human being, as opposed to a legal person, which may be a private or public organization. In many cases, fundamental human rights are implicitly granted only to natural persons.

**Offshore financial center:** Usually a low-tax jurisdiction that provides financial and investment services to non-resident companies and individuals. Generally, companies doing business in offshore centers are prohibited from having clients or customers who are resident in the jurisdiction. Such centers may have strong secrecy provisions or minimal identification requirements.

**Over-invoicing:** When money launderers and those involved with value transfer, trade-fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost more than they are actually worth. This allows one party in the transaction to transfer money to the other under the guise of legitimate trade.

**PEP – Politically Exposed Person:** A term describing someone who has been entrusted with a prominent public function, or an individual who is closely related to such a person.

**Placement:** This is the first stage of the money laundering process. Illicit money is disguised or misrepresented, then placed into circulation through financial institutions, casinos, shops, and other businesses, both local and abroad. A variety of methods can be used for this purpose,

including currency smuggling, bank transactions, currency exchanges, securities purchases, structuring transactions, and blending illicit with licit funds.

**STR/SAR - Suspicious Transaction Report/Suspicious Activity Report:** If a financial institution suspects or has reasonable grounds to suspect that the funds involved in a given transaction derive from criminal or terrorist activity, it is obligated to file a report with its national FIU containing key information about the transaction. In the United States, SAR is the most common term for such a report, though STR is used in most other jurisdictions.

**Shell Company:** An incorporated company with no significant operations, established for the sole purpose of holding or transferring funds, often for money laundering purposes. As the name implies, shell companies have only a name, address, and bank accounts; clever money launderers often attempt to make them look more like real businesses by maintaining fake financial records and other elements. Shell companies are often incorporated as IBCs.

**Smurfing/Structuring:** A money laundering technique that involves splitting a large bank deposit into smaller deposits to evade financial transparency reporting requirements.

**TBML - Trade-Based Money Laundering:** The process of disguising the proceeds of crime and moving value via trade transactions in an attempt to legitimize their illicit origin.

**TTU-Trade Transparency Unit:** TTUs examine trade between countries by comparing, for example, the export records from Country A and the corresponding import records from Country B. Allowing for some recognized variables, the data should match. Any wide discrepancies could be indicative of trade fraud (including TBML), corruption, or the back door to underground remittance systems and informal value transfer systems, such as hawala.

**Under-invoicing:** When money launderers and those involved with value transfer, trade fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost less than they are actually worth. This allows the traders to settle debts between each other in the form of goods or services.

**UNSCR 1267:** UN Security Council Resolution 1267 and subsequent resolutions require all member states to take specific measures against individuals and entities associated with the Taliban and al-Qaida. The “1267 Committee” maintains a public list of these individuals and entities, and countries are encouraged to submit potential names to the committee for designation.

**UNSCR 1373:** UN Security Council Resolution 1373 requires states to freeze without delay the assets of individuals and entities associated with any global terrorist organization. This is significant because it goes beyond the scope of Resolution 1267 and requires member states to impose sanctions against all terrorist entities.

**Zakat:** One of the five pillars of Islam, translated as “alms giving.” It involves giving a percentage of one’s possessions to charity. Often compared to tithing, *zakat* is intended to help poor and deprived Muslims. The Muslim community is obligated to both collect *zakat* and distribute it fairly.



## **Money Laundering and Financial Crimes**

## Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2015 INCSR is the 31st annual report prepared pursuant to the FAA.<sup>1</sup>

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" ("1988 UN Drug Convention") (FAA § 489(a)(1)(A)).

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2015 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 also is required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. Additionally, money laundering activity has moved beyond banks and traditional financial institutions to other non-financial businesses and professions and

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<sup>1</sup> The 2015 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 2015 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Specifically, the U.S. Treasury Department's Financial Crimes Enforcement Network, 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. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Homeland Security Investigations and Customs and Border Protection; Department of Justice's Asset Forfeiture and Money Laundering Section of Justice's Criminal Division, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance and Training; and, Treasury's Office of Terrorist Financing and Financial Crimes, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation and the Federal Reserve Board.

alternative money and value transfer systems. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose financial institutions and/or non-financial businesses and professions or other value transfer systems engage in transactions involving significant amounts of proceeds from all serious crime. 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 major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. In such jurisdictions, quick, continuous, and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

**Major Money Laundering Countries in 2014:**

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

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

## Introduction

The *2015 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as “Major Money Laundering Countries” have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where it has been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. Country reports also provide links to the Department of State’s “Country Reports on Terrorism” so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country’s AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2014, U. S. government personnel continued to leverage their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring, and support for supervisory, law enforcement, prosecutorial, customs, and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials, and destabilization of their economies. The development of new technologies and the possibility of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities.

The continued development of AML/CFT regimes, as reflected in this report, is vital to countering these threats. Political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State’s Bureau for International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

## **Bilateral Activities**

### **Training and Technical Assistance**

During 2014, 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, regulators, supervisors, prosecutors and the judiciary the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Additionally, training in money laundering awareness has been provided to both government and private sector entities to enhance their understanding of money laundering detection and the international standards. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.



## **Board of Governors of the Federal Reserve System**

The Board of Governors of the Federal Reserve System (FRB) conducts a Bank Secrecy Act (BSA) and Office of Foreign Assets Control (OFAC) compliance program review as part of its regular safety-and-soundness examination. These examinations are an important component in the United States' efforts to detect and deter money laundering and terrorist financing. The FRB monitors its supervised financial institutions' conduct, including domestic supervised organizations, for BSA and OFAC compliance.

Internationally, during 2014, the FRB conducted training and provided technical assistance to banking supervisors in AML/CFT tactics during two seminars; one in Washington, D.C. and one in Mexico City, Mexico. Countries participating in these FRB initiatives were Bahrain, Bangladesh, Ghana, Haiti, Hong Kong, India, Italy, Malawi, Malta, Mexico, Nigeria, Paraguay, Singapore, South Africa, and Turkey.

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

## **Department of Homeland Security**

### **Customs and Border Protection**

In 2014, Customs and Border Protection (CBP) delivered training on bulk cash smuggling for Israel, the Philippines, Brazil, and Ethiopia. The workshops covered various topics, including the country's money laundering reporting requirements and laws, currency smuggling techniques, intelligence gathering, targeting, interdiction techniques, interviewing, source development, red flag indicators of currency smuggling, conducting investigations, and evidence processing. The topics were initially discussed in a classroom setting, followed by three days of practical exercises. The goal was to facilitate actual cash seizures as well as the identification of individuals and organizations engaged in this activity. Training was also provided for the Royal Bahamas Police Force narcotics detection canine program.

### **Homeland Security Investigations**

In 2014, Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), provided financial investigations training to over 430 foreign law enforcement officers; regulatory, intelligence, and administrative agencies; judicial authorities; and bank and trade officials from over 12 nations. Employing broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendees with the critical skills necessary to successfully identify and investigate financial crimes.

### **Cross Border Financial Investigations Training Program**

HSI's Cross Border Financial Investigation Training (CBFIT) program provides specialized training, technical assistance, and best practices related to cross-border financial investigations to foreign law enforcement personnel, intelligence and administrative agencies, and judicial authorities. CBFIT provides foreign partners with the capability to implement international standards, with special emphasis on new technologies, dissuasive actions, competent authorities, international cooperation, alternative remittance, and cash couriers.

The U.S. Department of State has provided HSI with funds to manage and implement the CBFIT program and to enhance the ability of foreign law enforcement personnel to deter terrorists and terrorist groups. HSI International Operations administers the CBFIT program and has provided blocks of training detailing cross-border financial crimes, new trends and aspects of money laundering, and sharing of best practices on how to initiate multi-jurisdictional investigations following bulk cash interdiction incidents. During fiscal year 2014, International Operations conducted 11 CBFIT training events for several countries, including Afghanistan, Bangladesh, Brazil, Ethiopia, Jordan, Maldives, Nepal, Oman, Pakistan, Panama, Philippines, and the United Arab Emirates.

### **Cross Border Financial Investigations Advisor**

HSI special agents have been deployed for extended periods of time to foreign posts to serve as resident cross border financial investigations advisors (CBFIA). For the entire length of the temporary duty assignment, the advisors work in support of the HSI attaché with appropriate host nation agencies (customs/border authorities, investigators, prosecutors, financial investigations units, etc.) to organize and conduct financial investigation training seminars at various locations within each host nation. Moreover, the advisors are available to host nation authorities for response to incidents involving the discovery or interdiction of currency or other financial instruments and the development of financial investigations. This provides the host nation the opportunity to employ the material and tactics learned in the classroom in a real world setting, while at the same time having the benefit of the experience, guidance, and investigative resources of HSI. During fiscal year 2014, HSI deployed 14 subject matter experts to serve as advisors under the CBFIA program in Argentina, Brazil, Ethiopia, Jordan, Nepal, Panama, Paraguay, Philippines, and the United Arab Emirates.

### **Trade Transparency Units**

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

The United States established a TTU within DHS/HSI that generates both domestic and international investigations. With funding support from the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs, HSI continued to expand the network of operational TTUs, which now includes Argentina, Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, and Paraguay. As part of the TTU initiative, HSI provides equipment and increased operational support to these TTU partners to ensure the network's successful development.

## Department of Justice

### Drug Enforcement Administration

The Drug Enforcement Administration's (DEA's) Office of Financial Operations (FO) provides expert guidance to DEA's domestic and foreign offices, as well as international law enforcement agencies, on issues relating to all aspects of financial investigations. FO works in conjunction with DEA offices, foreign counterparts, and other agencies to effectively identify the financial infrastructure supporting drug trafficking organizations and provide its financial expertise to fully dismantle and disrupt all aspects of these criminal organizations. Additionally, FO facilitates cooperation between countries, resulting in the identification and prosecution of drug money laundering organizations as well as the seizure of assets and the denial of revenue. FO regularly briefs and educates United States diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narco-terrorism financing, international banking, offshore corporations, international wire transfers of funds, and financial investigations.

FO regularly conducts international seminars for foreign law enforcement and military counterparts to share strategic ideas and promote effective techniques in financial investigations. During 2014, FO conducted a seminar on undercover financial operations in Guatemala City, for 15 participants from the Guatemala National Police and the Prosecutors Office; and a seminar on financial investigations in Montevideo, Uruguay, for 25 attendees from the Uruguay National Police, the Prosecutors Office, and the judiciary. The seminars focused on international money laundering trends, and what law enforcement techniques can be used to counter these developments within their jurisdictions.

### **Office of Overseas Prosecutorial Development, Assistance and Training; the Asset Forfeiture and Money Laundering Section; and the Counterterrorism Section**

#### **Office of Overseas Prosecutorial Development, Assistance and Training's (OPDAT) Training and Technical Assistance Program**

OPDAT assesses, designs, and implements training and technical assistance programs for U.S. criminal justice sector counterparts overseas. OPDAT draws upon the AML/CFT expertise within the Department of Justice (DOJ), including the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS), the National Security Division (NSD), and U.S. Attorney's Offices to train and advise foreign AML/CFT partners. The training and technical assistance provided by OPDAT is funded through the U.S. Department of State and the U.S. Agency for International Development.

In addition to training programs targeted to a country's immediate needs, OPDAT also provides long-term, in-country assistance through Resident Legal Advisors (RLAs). RLAs are federal prosecutors who work directly with counterparts in legal and law enforcement agencies to provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. To promote reforms within the criminal justice sector,

RLAs provide assistance in legislative drafting; modernizing institutional structures, policies and practices; and training law enforcement personnel, including prosecutors, judges, and – in collaboration with DOJ’s International Criminal Investigative Training Assistance Program (ICITAP) – police and other investigative officials. OPDAT often works with other donors and multilateral organizations as well.

In 2014, OPDAT, AFMLS, and NSD met with and provided presentations to more than 30 international visitors from more than 5 countries on AML and/or CFT topics through the State Department-led International Visitors Leadership Program (IVLP). Presentations covered U.S. policies to combat terrorism, U.S. legislation and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues.

### **Anti-Money Laundering/Asset Forfeiture/Fraud**

In 2014, OPDAT and AFMLS provided assistance in drafting AML statutes compliant with international standards and provided training to foreign judges, prosecutors, and law enforcement officials; legislators; customs, supervisory, and financial intelligence unit personnel; and private sector participants. The content of individual technical assistance programs varied depending on the participants’ specific needs, but topics addressed in 2014 include the investigation and prosecution of complex financial crimes, economic crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; real estate fraud; and international mutual legal assistance. AFMLS experts participated in a variety of conferences and seminars around the world including in China and Thailand.

AFMLS and OPDAT designed a five-course curriculum on Financial Investigations and Asset Recovery focusing on Egypt, Libya, Tunisia, and Yemen, which began in 2013 as part of the White House’s Deauville Partnership Initiative. Due to U.S. embassy security concerns, there were delays, but in 2014, DOJ AFMLS/OPDAT delivered five courses in Egypt, four in Yemen, and one regional course held on the margins of the Third Arab Forum on Asset Recovery (AFAR III) in Switzerland. The program will continue until June 2015, when project funding ends.

### **Terrorism/Terrorist Financing**

OPDAT, drawing on the expertise and assistance of other DOJ components, plays a central role in providing technical assistance to foreign counterparts to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this undertaking, OPDAT, AFMLS, and NSD work as integral parts of the U.S. interagency effort to combat terrorist financing.

In 2014, the Department of State supported eight RLAs, located in Algeria, Bangladesh, Iraq, Kenya, Panama, Senegal, Turkey, and the UAE. The RLA for the UAE is responsible for OPDAT program activities in the UAE, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes, and developing counterterrorism legislation that

comports with international standards. The RLAs implement these programs by providing training, assistance in legislative drafting, and support for the countries' AML/CFT efforts.

Some highlights of the RLAs' efforts in 2014 include assistance to the Governments of Bangladesh, Pakistan, and Turkey on the development of AML/CFT legislation. Indonesia passed a CFT law in 2013 and the OPDAT RLA is now working with the Government of Indonesia to implement this law and comply with UN Security Council Resolution 1267. In addition, NSD has provided bilateral technical assistance, via the relevant RLAs, to the Governments of Indonesia and Algeria. OPDAT and AFMLS organized intensive training workshops for the Governments of Yemen and Egypt on combating money laundering and terror financing. The training was accomplished under the auspices of the Deauville Partnership for Asset Recovery in the Arab World. The programs presented the participants with investigative tools and techniques with the aim of increasing their capacity to disrupt, dismantle, and prosecute terror financing schemes.

Additional OPDAT activities focusing on AML/CFT topics were conducted in Algeria, Bangladesh, Egypt, Indonesia, Jordan, Kenya, Malaysia, Mauritania, Niger, Nigeria, Panama, the Philippines, Qatar, Turkey, the United Arab Emirates, and Yemen. NSD provided capacity building on AML/CFT topics to countries/regions such as Afghanistan, Central Asia, Egypt, Iraq, Maldives, Nigeria, Pakistan, Qatar, Timor Leste, Tunisia, and Yemen.

## Department of State

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

In 2014, INL-funded training was delivered to more than 100 countries. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, and the Federal Deposit Insurance Corporation, INL and the State Department's Bureau for Counterterrorism work collectively to implement a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of more than two dozen countries which are vulnerable to being used for financing terrorism. The capacity to thwart the funding of terrorism is linked to a robust anti-money laundering regime. In 2014, this collaboration provided a variety of law enforcement, regulatory, and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards; the training of law enforcement, the judiciary, and financial sector regulators; and the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions and regions where the programs are targeted.

The State Department, in conjunction with DHS' Homeland Security Investigations and the Department of Treasury, has supported the establishment and development of eight trade transparency units (TTUs) in the Americas. The misuse of trade is often used in counter-valuation and is the common denominator in most of the world's informal money and value transfer and remittance systems. These informal schemes are vulnerable to exploitation not only by money launderers but also terrorism financiers. TTUs, designed to help identify significant disparities in import and export trade documentation, continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs fosters the sharing of disparities in trade data among countries and is a potent weapon in combating customs fraud and trade-based money laundering.

In 2014, INL also provided support to the UN Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering technical assistance workshops and providing short-term training courses, GPML's mentoring program provides advisors on a long-

term basis to specific countries or regions. GPML mentors have focused on providing support and assistance to regional asset recovery networks in South Africa and South America, as well as promoting the establishment of similar asset forfeiture support networks in West Africa and the Asia Pacific region. The resident mentor based in South Africa continued to implement and monitor the Prosecutor Placement Program, an initiative aimed at building the capacity of prosecutors involved in asset forfeiture actions. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. The Mekong Delta mentor has recently begun working with Burma's government to assist in the development of such a regime. GPML continues to develop interactive computer-based programs for distribution, translated into several languages.

INL has established and continues to support programs incorporating intermittent or full-time legal, FIU, asset forfeiture, and law enforcement mentors at selected overseas locations. These advisors, be they U.S. government or GPML, work directly with host governments to assist in the creation, implementation, and enforcement of AML/CFT measures. 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 continues to provide significant financial and substantive support for many of the anti-money laundering bodies around the globe. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a supporter of FATF-style regional bodies' secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), the Financial Action Task Force for South America (GAFISUD), the Asia Pacific Group (APG), and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

INL also supports the capacity building efforts by the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee through program design, sustained engagement, and funding. OAS/CICAD has successfully improved the capacity of investigators, prosecutors, and judges throughout Latin America through its mock investigation and trial workshops and its confiscated criminal assets management programs. OAS/CICAD also continues to work with FIUs.

INL supports additional efforts, including those focusing on non-bank financial institutions and the issue of remittances to Somalia, by working with other bureaus within DOS, GPML, other international organizations, and other countries.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial, and central bank authorities. The goal is to design and provide training and technical assistance for countries that demonstrate the political will to develop viable AML/CFT regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South



America, and Eastern 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 ILEA program is an interagency effort to combat international crime through training and capacity building for foreign criminal justice personnel. The ILEA program helps to protect U.S. interests through enhanced international cooperation; and promote social, political, and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships among American law enforcement agencies and their counterparts around the world.

Since the first ILEA opened in Budapest in 1995, the program has grown to five academies worldwide, and has provided training to over 50,000 students from over 85 countries in Africa, Europe, Asia, and across Latin America. ILEAs offer three different types of programs to address global threats: a core program; specialized courses; and seminars and workshops. The core program is a six-week intensive professional development program – Law Enforcement and Leadership Development (LELD) – designed for mid-level law enforcement practitioners and tailored to region-specific needs and emerging global threats. The core program typically includes 40 to 50 participants, normally from three or more countries. The specialized courses, comprised of about 30 participants, are one- or two-week courses for law enforcement or criminal justice officials on a specific topic. Lastly, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counterterrorism.

The ILEAs help to develop an extensive network of alumni who exchange information with their regional and U.S. counterparts and assist in transnational investigations. Many ILEA graduates become the leaders and decision-makers in their respective law enforcement organizations. The Department of State coordinates with the Departments of Justice, Homeland Security, and Treasury, as well as foreign government counterparts to implement the ILEA program.

**Africa.** ILEA Gaborone, Botswana opened in 2001. ILEA Gaborone delivers four core programs annually and also offers specialized courses for police and other criminal justice officials to boost their capacity to work with U.S. and regional counterparts. These courses concentrate on specific methods and techniques in a variety of subjects, such as anti-corruption, financial crimes, border security, crime scene investigations, drug enforcement, firearms, explosives, wildlife investigation, gender-based violence, and many others. ILEA Gaborone provided training to 684 students from 31 countries in 2014.

**Asia.** ILEA Bangkok, Thailand opened in 1999, and focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia. Courses focus on combating illicit drug trafficking, terrorist financing and financial crimes, illicit wildlife trafficking, environmental crimes, and human trafficking. ILEA Bangkok provides one core program and also provides

specialized courses on a variety of criminal justice topics each year. ILEA Bangkok trained 1,129 students in 2014.

**Europe.** ILEA Budapest, Hungary was the first ILEA and was established in 1995. ILEA Budapest delivers four core programs annually and also offers specialized courses on regional threats such as organized crime, environmental crime, cyber-crime, terrorist financing and financial crimes, leadership for women in law enforcement, and many others. ILEA Budapest trained 1,446 students in 2014.

**Global.** ILEA Roswell, New Mexico, USA opened in September 2001. ILEA Roswell provides the tools necessary to enable partner countries to formulate and execute effective and responsible criminal justice public policy. Unlike other ILEAs, ILEA Roswell draws its recruits from across the globe to include the graduates of regional Academies in Budapest, Bangkok, Gaborone, and San Salvador. ILEA Roswell trained 339 students in 2014.

**Latin America.** ILEA San Salvador, El Salvador opened in 2005. ILEA San Salvador delivers four core programs annually and also offers specialized courses on regional threats as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador courses concentrate on anti-gangs, human rights, illegal trafficking in drugs, alien smuggling, and terrorist financing and financial crimes. ILEA San Salvador trained 1,533 students in 2014.

## Department of the Treasury

### Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit (FIU). During 2014, FinCEN conducted both bilateral and multilateral training and assistance with foreign counterpart FIUs and various agencies and departments. This included holding an orientation session for the FIU of Jordan and supporting an AML/CFT workshop in the United Arab Emirates, held for regional FIU partners. FinCEN also coordinated with regional partners and the Egmont Group of FIUs to hold two major courses on FIU strategic analysis. Within the Western Hemisphere course, participants came from Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Curacao, Dominica, Dominican Republic, Guatemala, Grenada, Guyana, Honduras, Jamaica, Nicaragua, St. Kitts and Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos. Within Asia, participants came from Bangladesh, India, Indonesia, Japan, Republic of Korea, Malaysia, Pakistan, and the Philippines. FinCEN also supported various smaller meetings with representatives from various regions and countries throughout the year.

### Internal Revenue Service, Criminal Investigations

For calendar year 2014, the Internal Revenue Service, Criminal Investigation (IRS-CI) continued its involvement in international training and provided technical assistance to international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes, and preventing public corruption. With funding provided by the U.S. Department of State (DOS) and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs. Training consisted of Financial Investigative Techniques (FIT), Fraud and Public Corruption, Special Investigative Techniques (SIT), and Law Enforcement Leadership Development (LELD) courses at the International Law Enforcement Training Academies (ILEA).

### Financial Investigative Techniques Training

In 2014, IRS-CI conducted FIT courses funded by an interagency agreement between the DOS and IRS-CI. In Panama, assisted by the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT), IRS-CI conducted FIT training to a mixed group of 30 Panamanian judges, prosecutors, investigators, forensic accountants, and financial intelligence unit personnel. In China, the Department of Defense Joint Interagency Task Force West funded one-week sessions of FIT in Guangzhou and Shanghai, China. A total of 73 participants from the Ministry of Public Security, People's Bank of China, and Supreme People's Procuratorate attended. The curriculum focused on money laundering and public corruption. In Serbia, in conjunction with OPDAT, a FIT course was given to approximately 40 law enforcement officials.

***International Law Enforcement Academy Training***

IRS-CI participated in training at the ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; San Salvador, El Salvador; and the regional training facility in Accra, Ghana. Programs included support for the LELD courses, plus FIT and Fraud and Public Corruption training. Per the ILEA concept, participants from numerous regional countries attended.

During 2014, IRS-CI participated in training programs in ILEA Bangkok for participants from Brunei, Burma, Cambodia, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, and Vietnam. IRS-CI provided training at ILEA Budapest for participants from Albania, Bosnia and Herzegovina, Bulgaria, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Serbia, and Ukraine. In ILEA Gaborone, IRS-CI provided support for a number of courses for participants from Benin, Botswana, Burundi, Cameroon, Congo, Gabon, Kenya, Liberia, Malawi, Mauritius, Nigeria, South Africa, Seychelles, Sierra Leone, Tanzania, Togo, and Uganda. IRS-CI conducted training for participants from Ghana and Sierra Leone at the regional training facility in Accra, Ghana. In ILEA San Salvador, IRS-CI provided training in 2014 for participants from Antigua and Barbuda, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, El Salvador, Grenada, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad & Tobago, and Uruguay.

***Other Training Initiatives***

IRS-CI delivered additional training programs that were funded through various sources. These included a Fraud and Public Corruption Course in Bangkok, Thailand that was funded by the State Department's Bureau for International Narcotics and Law Enforcement Affairs. Forty participants from Burma, Laos, Thailand, and Vietnam attended. The Korean National Tax Service (KNTS) funded a one week SIT course. Forty-five participants from the KNTS attended the training that focused on investigative tools, undercover operations, offshore banking, new payment methods, and forensic accounting.

***Office of the Comptroller of the Currency***

The U.S. Department of Treasury's Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks and federal savings associations in the U.S. Its goal is to ensure these institutions operate in a safe and sound manner and comply with all consumer protection and AML laws and implementing regulations. In 2014, the OCC sponsored several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2014 AML School was attended by foreign supervisors from Australia, Canada, China, Hong Kong, India, Kosovo, Malaysia, Netherlands, Philippines, South Africa, South Korea, Tanzania, and Turkey. The OCC also taught an AML school for the Association of Banking Supervisors of the Americas in Quito, Ecuador; in attendance were participants from Bolivia, Chile, Columbia,

Costa Rica, Ecuador, El Salvador, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition to organizing and conducting schools, OCC officials also met individually, both in the U.S. and overseas, with representatives from foreign law enforcement authorities, financial intelligence units, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

The OCC continued its industry outreach efforts to the international banking community during 2014 by participating with other federal banking agencies in regulator panels at the Association of Certified Anti-Money Laundering Specialists' 13th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

In 2014, the OCC also participated in a series of FATF working group and plenary meetings as well as the Basel Committee on Banking Supervision Anti-Money Laundering Expert Group. On an ad hoc basis, OCC meets with delegations from various countries to discuss the U.S. AML regime and its approach to conducting supervisory examinations.

### **Office of Technical Assistance**

OTA is comprised of five teams, each focused on particular areas of financial sector technical assistance to foreign governments. The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to develop internationally compliant AML/CFT regimes. OTA follows a number of guiding principles to complement its holistic approach to technical assistance. OTA supports self-reliance by providing countries with the knowledge and skills required to move towards self-sufficiency and to reduce dependence on international aid. OTA is selective and works only with governments that are committed to reform - reform that the counterparts design and own - and to using U.S. assistance effectively. OTA works side-by-side with counterparts by introducing sound practices in daily work routines through ongoing mentoring and on-the-job training, which is accomplished through co-location, whether in a financial intelligence unit (FIU), central bank, finance ministry, law enforcement authority, or other relevant government agency.

OTA receives a limited amount of direct appropriations funding from the U.S. Congress. Additional funding sources include the U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs; the U.S. Agency for International Development; U.S. Embassies; and the Millennium Challenge Corporation, among others.

In the context of providing technical assistance to reform AML/CFT frameworks, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. To ensure successful outcomes, ECT engagements are predicated on express requests by foreign government counterparts. ECT management conducts an on-site assessment of the jurisdiction to consider not only non-compliance with international standards and the corresponding need for technical assistance, but also willingness by the counterpart to engage in active partnership with the ECT to address those deficiencies.

An ECT engagement, tailored to the specific conditions of the jurisdiction, may involve placement of a resident advisor or utilization of intermittent advisors under the coordination of a team lead. The scope of ECT technical assistance is broad and can include awareness-raising aimed at the range of AML/CFT stakeholders; improvements to an AML/CFT legal framework to include legislation, regulations, and formal guidance; and improvement of the technical competence of stakeholders. The range of training provided by the ECT is equally broad and includes, among other topics, supervisory techniques for banking, securities, insurance, gaming and other regulatory areas; analytic and financial investigative techniques; cross-border currency movement and trade-based money laundering; asset seizure, forfeiture, and management; and the use of interagency task forces.

In 2014, following these principles and methods, the ECT delivered technical assistance in Burma, Cambodia, Costa Rica, Dominica, El Salvador, Ghana, Guatemala, Guyana, Honduras, Jamaica, Kosovo, the Palestinian Authority, Paraguay, Peru, Saudi Arabia, Suriname, and Trinidad & Tobago. Representative counterpart accomplishments from around the world that were supported by that technical assistance include the following: Guatemalan authorities trained and supported by OTA technical assistance arrested 21 individuals and obtained several indictments related to a Guatemalan import/export company alleged to have laundered over \$46 million for the Mexico-based Sinaloa Cartel; Ghana obtained a money laundering conviction in October 2014 related to embezzlement (approximately \$1.4 million) from a construction company, and; with the assistance of the OTA advisor, the Cambodian Minister of Justice issued an instruction requiring parallel financial investigations be conducted for all crimes that generate significant proceeds, which resulted in a deeper level of collaboration between the Cambodian FIU and law enforcement agencies that in turn has led to an increase in the quality and quantity of investigations and prosecutions of financial crimes, including those related to corruption offenses.

## **Federal Deposit Insurance Corporation**

In 2014, the Federal Deposit Insurance Corporation (FDIC) continued to work with federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused on training and outreach initiatives. In coordination with the U.S. Department of State, the FDIC conducted an AML/CFT training session hosted by Bank Negara Malaysia in Kuala Lumpur, Malaysia. The training was attended by 59 participants representing financial regulatory agencies from Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Thailand, and Vietnam. The FDIC conducted two additional AML/CFT training sessions at the FDIC's training facility in Arlington, Virginia for 61 participants representing financial regulatory agencies from Afghanistan, Algeria, Azerbaijan, Kazakhstan, Mali, Nigeria, Pakistan, and Yemen. Each training session focused on AML/CFT controls, the AML examination process, customer due diligence, and suspicious activity monitoring, as well as AML compliance issues related to higher risk institutions, products, services, customers, and geographical locations.

## Treaties, Agreements, and Asset Sharing

### Treaties

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal matters and proceedings related to criminal matters. In money laundering cases, MLATs can be extremely useful to obtain banking and other financial records from treaty partners. The Department of State, in cooperation with the Department of Justice, negotiates MLATs. The United States has MLATs in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Canada, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France (including St. Martin, French Guiana, French Polynesia, Guadeloupe, and Martinique), Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius, and St. Maarten), Nigeria, Panama, Philippines, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Kingdom (including Anguilla, British Virgin Islands, Cayman Islands, the Isle of Man, Montserrat, and Turks and Caicos), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplemented existing MLATs or created new mutual legal assistance relationships between the United States and every member of the EU. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention Against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism, and the 1988 UN Drug Convention.

### Agreements

In addition to MLATs, the United States has a Mutual Legal Assistance Agreement (MLAA) with China and Taiwan. The United States also has entered into bilateral executive agreements on forfeiture cooperation with 20 countries, including: Andorra, Anguilla, Austria, British Virgin Islands, Canada, the Cayman Islands, Colombia, Dominican Republic, Ecuador, Hong Kong, Jamaica, Mexico, Monaco, Montserrat, the Netherlands, Singapore, Turks and Caicos Islands, the United Kingdom, and the Bailiwicks of Jersey and Guernsey (in drug cases only).

Treasury's Financial Crimes Enforcement Network (FinCEN) has a Memorandum of Understanding (MOU) or an exchange of letters in place with many other financial intelligence units (FIUs) to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in Afghanistan, Albania, Argentina, Aruba, Australia, Belgium, Bermuda, Brazil, Bulgaria, Canada, Cayman Islands, Chile, Croatia, Cyprus, Egypt, France, Fiji, Guatemala, the Holy See, Indonesia, Israel, Italy, Japan, Macedonia, Malawi, Malaysia, Mauritius, Mexico, Moldova, Montenegro, Netherlands, Nigeria, Panama, Paraguay, Philippines, Poland, Romania, Russia, San Marino,



Saudi Arabia, Senegal, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, the Money Laundering Prevention Commission of Taiwan, Turkey, and the United Kingdom. FinCEN also exchanges information with other members of the Egmont Group of FIUs pursuant to the Egmont Principles for Information Sharing Between FIUs for Money Laundering and Terrorism Financing Cases. During 2013, FinCEN established an MOU to facilitate the exchange of supervisory information with Mexico's National Banking and Securities Commission, in support of both agencies' AML/CFT missions.

### **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 that includes asset forfeiture. To date, Antigua and Barbuda, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From Fiscal Year (FY) 1989 through FY 2014, the international asset sharing program administered by the Department of Justice shared \$249,543,192 with 46 countries. In FY 2014, DOJ shared a total of \$9,446,826 with ten countries and shared with the Czech Republic, Italy, Sweden, and Turks and Caicos Islands for the first time. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Israel, Jersey, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, Uruguay, and Venezuela.

From FY 1994 through FY 2014, the international asset-sharing program administered by the Department of Treasury shared \$37,511,393 with foreign governments that cooperated and assisted in successful forfeiture investigations. Recipients of shared assets include: Antigua & Barbuda, Aruba, Australia, the Bahamas, Brazil, Canada, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Luxembourg, Malta, Mexico, the Netherlands, Nicaragua, Palau, Panama, Philippines, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, the United Kingdom, and Vietnam.

## **Multilateral Organizations and Programs**

### **The Financial Action Task Force and FATF-Style Regional Bodies**

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

The Financial Action Task Force (FATF), created in 1989, is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF currently has 36 members, comprising 34 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, Luxembourg, Mexico, The Kingdom of the Netherlands (includes the Netherlands, Aruba, Curacao, and St. Maarten), New Zealand, Norway, Portugal, South Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission, and the Gulf Cooperation Council.

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

#### ***The Asia/Pacific Group on Money Laundering (APG)***

The Asia/Pacific Group on Money Laundering (APG) was established in 1997. The APG has 41 members: Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma, Cambodia, Canada, China, Cook Islands, Fiji, Hong Kong, India, Indonesia, Japan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Thailand, Timor Leste, Tonga, United States, Vanuatu, and Vietnam.

#### ***The Caribbean Financial Action Task Force (CFATF)***

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 27 members: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Maarten, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela.

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

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV. MONEYVAL is comprised of 30 permanent members and two temporary, rotating FATF members. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, the Holy See,

Hungary, Israel, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, and Ukraine. The rotating FATF members for 2014 are Austria and France.

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

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

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

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established in 2004. The EAG has nine members: Belarus, China, India, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan.

***The Financial Action Task Force on Money Laundering of Latin America (GAFILAT)***

The Financial Action Task Force on Money Laundering of Latin America (GAFILAT), formerly the Financial Action Task Force on Money Laundering in South America (GAFISUD), was established in 2000. The 16 GAFILAT members are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

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

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established in 1999. GIABA consists of 16 countries: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone, and Togo.

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

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

***The Organization of American States Inter-American Drug Abuse Control Commission Group of Experts to Control Money Laundering***

The Organization of American States (OAS), through the Inter-American Drug Abuse Control Commission (CICAD) under the Secretariat for Multidimensional Security, devotes efforts to strengthen the capacities of law enforcement agencies, bank regulators, financial intelligence units (FIUs), specialized public prosecutors, the judiciary, and other agencies involved in money laundering control and terrorism financing detection, investigation, and prosecution throughout the Americas. In 2014, hundreds of AML professionals from numerous countries in the Americas were trained. The U.S. Department of State, through its Bureau for International Narcotics and Law Enforcement Affairs (INL), provided full or partial funding for many CICAD training activities.

In 2014, CICAD also participated in several international cooperation activities, such as the FATF Evaluators Seminar, the meeting of the Working Group on Legal Cooperation in Legal Matters, the meeting of the Financial Action Task Force in Latin America's (GAFILAT) Assets Recovery Network, and the plenary sessions of the Caribbean Financial Action Task Force (CFATF) and GAFILAT.

### ***Expert Group***

The Expert Group on the Control of Money Laundering (the Expert Group) is comprised of legal and law enforcement specialists appointed by member states. In 2014, the group met in Washington D.C. and Montevideo and worked on a variety of topics such as the collection of data on seized and forfeited assets; international cooperation in asset recovery; international cooperation in the sharing of seized assets; management of seized businesses; asset investigation; and the security and integrity of officials charged with combating money laundering and related crimes.

### ***Capacity Building***

In the framework of strengthening the capacity of FIUs, CICAD conducted a number of workshops in Miami for 31 representatives from Central American and Caribbean FIUs. In June 2014, together with the Inter-American Committee against Terrorism (CICTE), a specialized National Workshop against Terrorism and its Financing was held in Barbados for police and FIU personnel and foreign service officers.

Within the framework of the Coordination Committee addressing terrorism and terrorist financing (MECOOR) initiative, two regional workshops were held. The "Sub-regional Workshop on Combating Money Laundering and Financing Terrorism" was held in Guatemala in July and was attended by prosecutors, FIU analysts, and police from Costa Rica, El Salvador, Guatemala, and Panama. The second workshop was held in August 2014 in Santiago, Chile. FIU analysts, police, and prosecutors from Argentina, Brazil, Chile, Paraguay, and Uruguay participated.

### ***Seized and Forfeited Assets***

Within the framework of the Seized and Forfeited Asset Management Project in Latin America (BIDAL), there were two activities; the CICAD actively participated in the "International Expert

Meeting on Seized and Confiscated Assets Management” in April 2014 in Reggio Calabria, Italy; and the agreement between CICAD and UNODC-Brazil for the implementation of the BIDAS Project in Brazil was signed. In August the project was presented to Brazilian authorities.

### ***Technical Assistance and Cooperation***

In March 2014, the regional workshop “Mock Investigation,” a mock trial for a money laundering and organized crime case, was given in Guatemala. Participants included 29 law enforcement officials from El Salvador, Guatemala, Honduras, Nicaragua, and Peru.

Technical assistance in the development of reporting standards was given to the FIU of El Salvador.

Within the Money Laundering Training Program for Judicial Officials, CICAD organized a training seminar for 40 judges and prosecutors, held in Trinidad. The December training was jointly organized with the CFATF. Representatives from Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago participated.

Inside the Legislative Assistance Program, CICAD conducted a follow-up visit to Dominica in May in order to advise the national authorities in the development of their AML/CFT regulations, and compliance with the FATF Recommendations.

CICAD, with the collaboration of the Implementation and Monitoring Committee of the National Strategy to Combat Money Laundering Actives of Peru (CONTRALAFT), carried out a number of activities and seminars in Lima in 2014 for AML professionals. The seminars included: “Workshop on Forensic Auditing Procedures Applied to the Investigation of Money Laundering Cases,” aimed at 25 analysts from the FIU and the Superintendency of Banking, Insurance and AFP of Peru; “Workshop for Strengthening the Chain of Custody” for 53 prosecutors, attorneys, and police investigators; “Link Analysis and Relations” for 17 FIU analysts and prosecutors; “Workshop on Forensic Auditing Procedures Applied to the Investigation of Money Laundering Cases” aimed at FIU analysts and the areas related to the Superintendency of Banking, Insurance and AFP of Peru, with a goal of strengthening the capacities of 21 officials in charge of management analysis for financial investigation and the use of forensic accounting in cases of ML/FT; the “Link and Relationship Analysis on Money Laundering Investigations Training” for 17 prosecutors and FIU analysts; and a workshop on corruption as a money laundering predicate offense for 60 Peruvian officials, including prosecutors, judges, attorneys, and FIU investigators and analysts. Additionally, the official launch of the book “Combating Money Laundering from the Judicial System. Special Edition for Peru” was held before an audience of about 30 officials of the institutions that make up the CONTRALAFT, especially the judicial sector, the National Police, and the FIU of Peru.

### **United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism**

The United Nations is one of the most experienced global providers of AML/CFT training and technical assistance. The United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist member states to comply with the UN conventions and other instruments that deal with money laundering and terrorism financing. These now include the UN Convention against Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Vienna Convention), the UN International Convention for the Suppression of the Financing of Terrorism (the 1999 Convention), the UN Convention against Transnational Organized Crime (the 2000 Palermo Convention), and the UN Convention against Corruption (the 2003 Merida Convention). In 2008, GPML's scope and objectives were widened to meet the growing needs and demands for tailor-made assistance in the effective implementation of these UN instruments and other international AML/CFT standards.

GPML is the focal point for AML policy and activities within the UN system and a key player in strengthening CFT. The GPML provides technical assistance and training in the development of related legislation, infrastructure, and skills, directly assisting member states in the detection, seizure, and confiscation of illicit proceeds. Over the years, it has elaborated an ambitious program to make international action against the proceeds of crime and illegal financial flows more effective.

In 2014, GPML provided long-term assistance in the development of AML/CFT programs to 66 jurisdictions. GPML also conducted 32 training, policy development, and awareness raising activities worldwide; seven were at the international level, often in close partnership with regional or multilateral organizations. GPML trained 1,117 representatives of law enforcement agencies, financial intelligence units (FIUs), judicial authorities, and reporting entities.

### ***The Mentoring Program***

GPML's Mentor Program is one of the most successful and well-known activities of international AML/CFT technical assistance and training. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions. GPML's Mentoring Program has key advantages over more traditional forms of technical assistance. First, mentors serve as residential advisors in a country or region for as long as one to four years, and offer 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.

During 2014, GPML employed three mentors, one of which is shared with the World Bank. GPML mentors stationed in Senegal, South Africa, and Vietnam worked extensively on the development and implementation of a wide variety of AML/CFT programs and procedures in individual countries and surrounding regions.

The GPML Asset Forfeiture Mentor based in South Africa provides assistance with the development and strengthening of asset forfeiture mechanisms in Southern Africa. The mentor continued to monitor the ongoing Prosecutor Placement Program. In 2014, the mentor continued to support the Asset Recovery Network for Southern Africa (ARINSA), and provide mentoring to its members, namely Botswana, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. Based on the model for Europol's Camden Asset Recovery Inter-Agency Network (CARIN), this regional mechanism encourages collaboration, information sharing, and cooperation among prosecutors, investigators, and law enforcement dealing with asset confiscation and recovery at the national and regional levels.

In West Africa, GPML's main achievements in 2014 include the successful launch of a CARIN-style regional network for prosecutors and financial investigators in West Africa (ARIN-WA), comprised of all 15 Economic Community of West African States countries plus Sao Tome and Principe. The mentor also contributed to the strengthening of the AML/CFT framework and operational capacities, particularly of FIUs, in Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger, and Senegal, mostly through the delivery of national and regional training courses and daily mentoring. Activities have been completed in coordination with the Inter Governmental Action Group against Money Laundering in West Africa (GIABA).

The World Bank/GPML mentor based in Hanoi continued to strengthen operational capacities in Burma, Cambodia, Laos, and Vietnam. In Vietnam, the mentor delivered a series of training workshops on bulk cash smuggling, AML/CFT investigations, and raising awareness. As a result of the GPML's mentoring, Vietnam Customs increased the number and amount of cash seized at the border in 2014. The Mekong mentor continued to support the CARIN-style regional network for prosecutors and financial investigators in Asia Pacific (ARIN-AP).

### ***GPML Initiatives***

**Illicit Financial Flows:** GPML has taken the lead in combating financial flows to and from Afghanistan linked to illicit drug production and trafficking. In 2014, the UNODC conducted a joint research with FATF on illicit financial flows from Afghan opiates. The GPML Adviser chaired a Heart of Asia workshop on money and value transfer systems, as well as a counter-terrorism financing workshop.

Throughout 2014, GPML worked with the UNODC Global Programme on Wildlife and Timber Crime on a joint initiative on the illicit financial flows and value transfer deriving from wildlife and timber trafficking. GPML organized its first inter-regional workshop on illicit financial flows from wildlife and timber crime, gathering practitioners from Southeast Africa and Southeast Asia in June 2014, followed by a similar workshop for the Caribbean in December 2014.

**Financial Intelligence Unit Analyst (FIUA) Course:** This training course is an opportunity for FIU analysts to develop knowledge and skills in the financial intelligence analysis process. The course focuses on analysis of suspicious transactions related to possible money laundering and terrorism financing. The course also addresses relationships between the FIU and agencies

responsible for investigation of money laundering and terrorism financing, and the provision of high quality information to these agencies. In 2014, the training was delivered in the Gambia.

**Financial Investigation Course:** GPML also developed a Financial Investigation Course that aims to provide an opportunity for investigators to develop their knowledge and skills in financial investigation and to raise awareness of terrorism financing and money laundering methods. The course has a practical focus and is tailored to legal and procedural processes in the country receiving training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches, and undertake interviews. In 2014, training was delivered in Ethiopia and Tajikistan.

**Cash Couriers:** GPML's cash courier training provides an opportunity for border control, police, and FIU staff to develop their knowledge and skills in the mechanisms for monitoring cross-border transportation of cash and bearer negotiable instruments as well as the identification and interdiction of cash couriers. In 2014, the course was delivered for Albania, Bosnia and Herzegovina, Botswana, Former Yugoslav Republic of Macedonia, Kosovo (under UN Security Council Resolution 1244), Mozambique, Namibia, Serbia, Vietnam, and Zambia.

**Development of AML/CFT Experts/Trainers:** GPML is preparing to launch a train-the-trainers project on financial investigations for West Africa. A two-year project will commence in 2015.

**Prosecutor Placement Program:** This is a sustainable, capacity-building program designed to give newly appointed confiscation prosecutors a practical understanding of asset seizure and forfeiture practices by placing them in the office of an experienced and capable confiscation legal team. The program operates in Southern Africa in conjunction with the South African National Prosecution Authority's Asset Forfeiture Unit.

**Disruption of Illicit Financial Flows:** In 2014 UNODC developed a new training program on disruption of illicit financial flows. Training addresses the collection of information on financial flows of criminal organizations, analyzing a criminal business, examining informal value transfer systems such as hawala, and designing an effective disruption strategy. Training was conducted by GPML in 2014 in Kenya and Tanzania.

**IMoLIN/AMLID:** GPML has developed and maintains the International Money Laundering Information Network (<http://www.imolin.org>) on behalf of a partnership of 11 international organizations. IMoLIN provides a wide range of tools and AML/CFT-related information for professionals, including the Anti-Money Laundering International Database (AMLID) - a compendium and analysis of AML/CFT legislation and regulations.

## The Egmont Group of Financial Intelligence Units

The Egmont Group of Financial Intelligence Units began in 1995 as a small group of national entities - today referred to as financial intelligence units (FIUs) - seeking to explore ways to



cooperate internationally among themselves. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorism financing, and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorism financing and money laundering. Today the FIU concept is an important component of the international community's approach to combating money laundering and terrorism financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 146 FIUs in 2014. The FIUs of Angola, Brunei Darussalam, Chad, Ghana, Jamaica, Namibia, St. Maarten, and Tanzania joined the Egmont Group in 2014. In 2014, The Egmont Group expelled the FIU of Syria.

The Egmont Group is organizationally structured to meet the challenges of the large membership and its workload. The Egmont Committee is an intermediary group between the 146 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. The Egmont Group's secure Internet system permits members to communicate with one another via secure email, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools, and technological developments.

With the publication of the revised 2012 FATF Recommendations, in 2013 the Egmont Group produced a complimentary set of documents, which are interlinked and reference relevant FATF Recommendations. They include a revised Egmont Group Charter (2013), the Egmont Group Principles for Information Exchange, and new Operational Guidance for FIUs.

As of 2014, the 146 members of the Egmont Group are the FIUs of Afghanistan, Albania, Algeria, Andorra, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Bermuda, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Canada, Cayman Islands, Chad, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guatemala, Guernsey, the Holy See (Vatican City State), Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Namibia, Netherlands, New Zealand, Nigeria, Niue, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the

Grenadines, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, and Venezuela.

## Major Money Laundering Countries

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

The 2015 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

"Jurisdictions of Primary Concern" are those that are identified, pursuant to INCSR reporting requirements, as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." The complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdictions of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Additionally, money laundering activity has moved well beyond traditional banking. As examples, money is laundered through investment funds, insurance, real estate, and high-value goods; thus, looking only at banking transactions may well overlook large-scale money laundering in a jurisdiction. Therefore, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered in the entire financial sector, not only on banking transactions or on the AML measures taken. A government (e.g., the United States or the United Kingdom) can have comprehensive AML laws on its books and conduct aggressive AML 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 and/or sophistication of the jurisdiction's economy. Economies that attract funds globally are vulnerable to money laundering activity because the volume and complexity of the available financial options may make criminals believe they may more easily hide their funds. This is a different approach than that of the Financial Action Task Force's International Cooperation Review Group exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of several factors that may include: (1) whether transactions involving significant amounts of proceeds from serious crimes are conducted in the country's financial sector; (2) the extent to which the

jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) whether the U.S. government regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the United States. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." The actual money laundering problem in jurisdictions classified as "Jurisdictions of Concern" is not as acute as in those considered to be of "Primary Concern." Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

### ***Vulnerability Factors***

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of factors that contribute to making a country or jurisdiction particularly vulnerable to money laundering or other illicit financial activity, however, provides a basic guide. The checklist includes, but is not limited to:

- 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-customer requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered, or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions, or a pattern of inconsistent reporting under a voluntary system, and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.

- Well-established 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 the Basel Committee's "Core Principles for Effective Banking Supervision," especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled, or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or money or value transfer 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 for 2014***

New jurisdiction added to the "Primary Concern" column: West Bank and Gaza (previously included as part of the Israel report)

In the Country/Jurisdiction Table directly below, "major money laundering countries" that are in the "Jurisdictions of Primary Concern" category are identified for purposes of INCSR statutory reporting requirements. Identification as a "major money laundering country" is based on whether the country or jurisdiction's financial institutions engage in transactions involving

significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the "Jurisdictions of Concern" or "Other Jurisdictions Monitored" category.

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

## Countries and Jurisdictions Table

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

## Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2014, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of number 5, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template, as should any responses that differ from last year's answers.

## Glossary of Terms

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



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

**COMPARATIVE TABLE**

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
	Govt/Jurisdiction	Country/ Jurisdiction name																			

## Comparative Table

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

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

<sup>2</sup> The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to the British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to the British Virgin Islands, Cayman Islands, Gibraltar, and the Isle of Man.

Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC
<b>Govt/Jurisdiction</b>																				
<b>Aruba<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Australia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Austria</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Azerbaijan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bahamas</b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bahrain</b>	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bangladesh</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Barbados</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Belarus</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
<b>Belgium</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Belize</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Benin</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Bermuda<sup>2</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
<b>Bolivia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Bosnia &amp; Herzegovina</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Botswana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	N
<b>Brazil</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	N
<b>British Virgin Islands<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Brunei</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

<sup>3</sup> The Netherlands extended its application of the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, and the UN Convention against Transnational Organized Crime to Aruba, Curacao, and St. Maarten.

Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC
<b>Govt/Jurisdiction</b>																				
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	N	Y	Y
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cayman Islands <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Comoros	Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
Curacao <sup>3</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Cyprus <sup>4</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N

4

Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Gambia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
<b>Georgia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Germany</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ghana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Gibraltar<sup>2</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
<b>Greece</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Grenada</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
<b>Guatemala</b>	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Guernsey<sup>2</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
<b>Guinea</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	Y	Y	Y	N	N
<b>Guinea-Bissau</b>	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
<b>Guyana</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Haiti</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Holy See</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Honduras</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hong Kong<sup>5</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hungary</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Iceland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>India</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Indonesia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Iran</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

<sup>5</sup> The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.

Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC
Govt/Jurisdiction																				
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Isle of Man <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
Jersey <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Korea, North	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	Y	N	Y
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N



Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC
<b>Govt/Jurisdiction</b>																				
<b>Lesotho</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Libya</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y
<b>Liechtenstein</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Lithuania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Luxembourg</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macau<sup>4</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macedonia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Madagascar</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	N
<b>Malawi</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Maldives</b>	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	N
<b>Mali</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N
<b>Malta</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Marshall Islands</b>	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritius</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Mexico</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Micronesia, FS</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	N
<b>Moldova</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Monaco</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Mongolia</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N
<b>Montenegro</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
Montserrat <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	N	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Qatar</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Romania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Russia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Rwanda</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>St. Kitts and Nevis</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Lucia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
<b>St. Maarten<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>St. Vincent and the Grenadines</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Samoa</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N
<b>San Marino</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Sao Tome and Principe</b>	Y	Y	N	N	Y	Y	N	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Saudi Arabia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Senegal</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Serbia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Seychelles</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Sierra Leone</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
<b>Singapore</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Slovak Republic</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Slovenia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Solomon Islands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N
<b>Somalia</b>	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
<b>South Africa</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>South Sudan</b>	Y	Y	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	N
<b>Spain</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Sri Lanka</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Sudan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Suriname</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Swaziland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Sweden</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Switzerland</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Syria</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
<b>Taiwan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
<b>Tajikistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Tanzania</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Thailand</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Timor-Leste</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y	Y	N
<b>Togo</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Tonga</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
<b>Trinidad and Tobago</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Tunisia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkey</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Turkmenistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Turks and Caicos<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
<b>Uganda</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Deferral	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>UAE</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>United Kingdom</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uruguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Vanuatu</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>West Bank and Gaza</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	N	N
<b>Yemen</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Zambia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
<b>Zimbabwe</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y

**INCSR Volume II Template Key*****INTRODUCTORY PARAGRAPH***

This section provides a historical and economic picture of the country or jurisdiction, particularly relating to the country's vulnerabilities to money laundering/terrorist financing (ML/TF). Information on the extent of organized criminal activity, corruption, drug-related money laundering, financial crimes, smuggling, black market activity, and terrorist financing should be included.

This section also should include a brief summary of the scope of any offshore sector, free trade zones, the informal financial sector, alternative remittance systems, or other prevalent area of concern or vulnerability. Deficiencies in any of these areas will be further discussed in the "Enforcement and Implementation Issues and Comments" section, below.

The below referral statement and link to the Department of State's Country Reports on Terrorism follows the introductory paragraph.

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

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

This question addresses whether the jurisdiction's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** (specify)

***Are legal persons covered:***                      ***criminally:*** (Y/N)                      ***civilly:*** (Y/N)

In general, two methods of designating money laundering predicate crimes are in use. The response to this question indicates which method of designation the country uses - does the country list specific crimes as predicate crimes for money laundering in its penal code? Conversely, does it use an "all serious crimes" approach, stating that all crimes with penalties over a specified amount or that carry a threshold minimum sentence are money laundering predicate crimes?

The second question addresses whether legal persons, that is, corporations, partnerships, organizations, or any legal entity or arrangement, are liable for money laundering/terrorist financing activity and whether they are subject to criminal penalties, such as fines. Additionally,

are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* (Y/N) *Domestic:* (Y/N)

***KYC covered entities:*** A list of the types of financial institutions and designated non-financial businesses and professions (DNFBPs) covered by KYC rules

Countries should be using a risk-based approach to customer due diligence (CDD) or know-your-customer (KYC) programs. Using that approach, types of accounts or customers may be considered either less or more risky and be subject to varying degrees of due diligence. Politically exposed persons (PEPs) should be considered high risk and should be subject to enhanced due diligence and monitoring. PEPs are those individuals who are entrusted with prominent public functions in a country, for example, heads of state; senior politicians; senior government, judicial, or military officials; senior executives of state-owned corporations; and important political party officials. This response should indicate whether the jurisdiction applies enhanced due diligence procedures to foreign PEPs and/or domestic PEPs.

CDD or KYC programs should apply not only to banks or financial institutions but also to DNFBPs. Covered institutions should be required to know, record, and report the identity of customers engaging in significant transactions. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

This response should list the specific types of financial institutions and DNFBPs covered by KYC laws and rules, whether or not they actually have programs in place in practice.

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:***

***Number of CTRs received and time frame:***

***STR covered entities:*** A list of the types of financial institutions and DNFBPs covered by reporting rules

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2014, will be included.

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the

report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2014, will be included. The report will not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

This response should list the specific types of financial institutions and DNFBPs covered by reporting laws and rules, whether or not they are reporting in practice.

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

***Prosecutions:*** (Number and time frame)

***Convictions:*** (Number and time frame)

If available, the report will include the numbers of money laundering prosecutions and convictions and the relevant time frames. The most recent information, preferably the activity in 2014, will be included.

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** (Y/N) ***Other mechanism:*** (Y/N)

***With other governments/jurisdictions:*** (Y/N)

***(Country/jurisdiction) is a member of the Financial Action Task Force OR \_\_\_\_\_, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: (relevant FATF or FSRB website)***

This response will indicate if the country/jurisdiction has in place a mutual legal assistance treaty with the United States and/or other mechanisms, such as memoranda of understanding or other agreements, to facilitate the sharing with the United States of records and information related to financial crimes, money laundering, and terrorist financing.

Similarly, it will indicate if the country/jurisdiction has in place treaties, memoranda of understanding, or other agreements with other governments to share information related to financial crimes, money laundering, and terrorist financing.

The report will indicate if the country/jurisdiction is a member of the Financial Action Task Force (FATF) and/or one or more FATF-Style Regional Bodies (FSRB). A link to the website with its most recent mutual evaluation will be shown.

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

Information in this section should include changes in policy, law, and implementation of regulations occurring since January 1, 2014, and any issues or deficiencies noted in the country's/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with U.S. government agencies, or has refused to cooperate with the United States or foreign



governments, as well as any actions taken by the United States or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.

**Any changes to the Comparative Table responses for the relevant jurisdiction also should be discussed in this section.**

# **Countries/Jurisdictions of Primary Concern**

## Afghanistan

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

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. Less than 10 percent of the Afghan population uses banks, depending instead on the traditional hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90 percent of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, trade and microfinance, as well as some deposit-taking activities. Official corruption and weaknesses in the banking sector incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The unlicensed and unregulated hawaladars in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system. Afghan business consortiums that control both hawaladars and banks allow criminal elements within these consortiums to manipulate domestic and international financial networks to send, receive, and launder illicitly-derived monies or funds intended for criminal, insurgent, or terrorism activities.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks (public and private), money service businesses (MSBs), hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 342 in 2014

***Number of CTRs received and time frame:*** 1,908,610 in 2014

***STR covered entities:*** Banks (public and private), MSBs, hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

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

***Prosecutions:*** 22 in 2012

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

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

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

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=69810087-f8c2-47b2-b027-63ad5f6470c1>

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

The Government of Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Afghanistan has made progress through the enactment of its new AML and CFT laws in July 2014. A significant provision in the new AML law is the creation of an adequate legal basis to criminalize money laundering.

There is no clear division between the hawala system and the formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawalas to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit, FINTRACA, reports that no MSBs or hawaladars have ever submitted suspicious transaction reports (STRs). Insurance companies and securities dealers are also technically under the regulatory regime and are required to file STRs, but the government does not enforce this requirement. Afghanistan should pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and ensure their compliance with AML/CFT regulations. Afghanistan also should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections, and expand implementation of the MSB/hawala licensing program. Afghanistan also should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes. Dealers in precious metals and stones, lawyers, accountants, and real estate agents are not supervised in Afghanistan.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. The Da Afghanistan Bank reports that approximately \$3.7 million in cash left Afghanistan via Kabul International Airport in 2014. Approximately \$83,200 left Afghanistan via Mazar-e Sharif International Airport in 2014. Tracking cash movements across borders or through airports has become increasingly difficult

with implementation of an executive order that makes it illegal to take more than \$20,000 out of the country, but eliminates the need to report outbound currency. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Afghanistan should strengthen inspection controls for airport passengers.

Although Afghanistan enacted the Law on Extradition of the Accused, Convicted Individuals and Legal Cooperation, which would seemingly allow for extradition based solely upon multilateral arrangements such as the 1988 UN Drug Convention, this interpretation conflicts with Article 28 of the Afghan Constitution which more clearly requires reciprocal agreements between Afghanistan and the requesting country. Thus, Afghanistan's law on extradition is currently unclear.

Afghanistan's laws related to terrorism financing are not in line with international standards. Over the past year, Afghanistan has worked to strengthen its laws related to terrorism financing. One significant change is that the National Security Council must now immediately notify the Attorney General's Office (AGO) of any designations and the AGO must immediately issue an order freezing the funds and property of designated entities. The new CFT law expands the previous definition of terrorist financing to now include the funding of a terrorist and/or terrorist act. Although the CFT law provides the basic framework needed to authorize Afghanistan's ability to freeze and seize terrorist assets, the corresponding implementing regulations currently lack clarity and effectiveness. Previously, through the use of presidential executive orders, the government has frozen bank accounts owned by hawala networks listed under UNSCR 1988. There are no instances of seized bank accounts, and there is no mechanism for asset sharing.

Afghanistan has taken steps toward improving its AML/CFT regime, including by establishing high-level AML/CFT coordination mechanisms; however, certain strategic AML/CFT deficiencies remain. Afghanistan should continue to work to adequately criminalize money laundering and terrorism financing; establish and implement an adequate framework for identifying, tracing, and freezing terrorist assets; work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets; provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties; implement an adequate AML/CFT supervisory and oversight program for all financial sectors; establish and implement adequate procedures for the confiscation of assets related to money laundering; enhance the effectiveness of FINTRACA; and establish and implement effective controls for cross-border cash transactions.

### **Antigua and Barbuda**

Antigua and Barbuda remains a substantial offshore center which continues to be vulnerable to money laundering and other financial crimes. An increase in drug trafficking, a large financial sector, and a growing Internet gaming industry likewise add to its susceptibility. The Antiguan

Office of National Drug Control and Money Laundering Policy (ONDCP) has a three prong approach to combat narcotics trafficking, money laundering, and the financing of terrorism via the reporting of financial intelligence and investigation, AML/CFT compliance, and counter-narcotics operations. The ONDCP's analysis in 2013 showed that criminals exploited the system as financial institutions often failed to apply sufficiently rigorous due diligence to suspicious transactions. In 2014, it reported increased evidence of "money laundering related to drug trafficking taking place through local financial institutions." There are few successful investigations, prosecutions, and convictions.

Casinos and Internet gaming maintain a strong presence in Antigua and Barbuda. Internet gaming companies are supervised through the ONDCP. Regulation requires them to incorporate as international business corporations (IBCs) and maintain a physical presence on the island. Additionally, domestic casinos must incorporate as domestic corporations. Casinos and sports book-wagering operations in Antigua and Barbuda's free trade zone are supervised by the ONDCP and the Directorate of Offshore Gaming. The Government of Antigua and Barbuda receives millions of dollars per year from license fees and other charges related to the Internet gaming industry.

Shell companies are not permitted in Antigua and Barbuda. All certified institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. International companies are authorized to possess bearer shares; however, the license application requires disclosure of the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders, and number of shares they will hold. Registered agents or service providers are compelled by law to know the names of beneficial owners. Failure to provide information or giving false information is punishable by a fine of \$50,000. Offshore financial institutions are exempt from corporate income tax.

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

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

#### **REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 207: January 1 – November 10, 2014

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

**STR covered entities:** Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

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

**Prosecutions:** 0 in 2014

**Convictions:** 1 in 2014

#### **RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=355&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=355&Itemid=418&lang=en)

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

Antigua and Barbuda continues to work to improve its AML/CFT regime. The Proceeds of Crime Amendment Act of 2014 introduces civil forfeiture provisions in Antigua and includes amendments to improve the consistency of the provisions relating to criminal confiscation.

The Supervisory Authority has the power to comprehensively examine all sectors of financial institutions, including offshore institutions, for AML/CFT compliance and has the authority to

impose sanctions as needed. The Supervisory Authority can apply to a court for a production order where there is a failure by a financial institution to grant access to all records, documents, or required information.

On September 23, 2014 the U.S. shared approximately \$93,000 with Antigua's ONDCP, from the proceeds of a 2007 investigation jointly conducted by U.S. federal law enforcement agencies and the Antiguan ONDCP.

The numbers of prosecutions and convictions are telling regarding the effectiveness of Antigua and Barbuda's AML/CFT regime. The Government of Antigua and Barbuda should continue to work to implement its AML/CFT action plan, and devote resources to money laundering investigations and enforcement.

## **Argentina**

Money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system, often through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, corporate structures, and the real estate sector.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. Most of the cocaine transiting Argentina is bound for the European market, while most marijuana remains in the domestic or regional markets. Contraband goods from the United States and other countries are smuggled into Argentina, especially through the tri-border area (Argentina, Paraguay, and Brazil), or through changes to shipping manifests designed to disguise the importer and the type of merchandise.

The widespread use of cash in the economy and Argentina's strong links to U.S. currency increase the country's vulnerability to money laundering. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against high inflation and potential peso devaluations. Government restrictions on access to foreign exchange have created a black market for U.S. currency. During the first nine months of 2014, the unofficial exchange valued the dollar between 50 and 90 percent higher than the official government rate. This unofficial peso-dollar exchange market generates significant illicit revenue and creates significant opportunities for arbitrage.

Argentina has a long history of capital flight and tax evasion, and the latter is the predicate crime in the majority of money laundering cases. Argentines hold billions of U.S. dollars outside the formal financial system, both domestically and offshore, much of it legitimately earned money but not taxed. Estimates of the size of the informal economy vary from 25 to 40 percent, though it is clear a significant amount of economic activity is taking place outside of government supervision.

The general vulnerabilities in the financial systems expose Argentina to a risk of terrorism financing.



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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 36,079 in 2013  
***Number of CTRs received and time frame:*** Not available  
***STR covered entities:*** Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

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

***Prosecutions:*** 13: January – August 2014  
***Convictions:*** 1: January – August 2014

***RECORDS EXCHANGE MECHANISM:***

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

Argentina is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Argentina\\_3ra\\_Ronda\\_2010.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Argentina_3ra_Ronda_2010.pdf)

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

Law 25.246 criminalizes actions such as “tipping off” by government officials and establishes penalties of six months to three years for such action.

In November 2014, the financial intelligence unit, the UIF, issued a resolution (N 473) that makes the agency responsible for undertaking an assessment of the country’s money laundering and terrorist financing risks in order to guide development of a strategy to mitigate those risks. The resolution adopts a risk-based approach to program implementation.

In an attempt to attract U.S. dollars held by nationals, Argentina instituted a voluntary tax compliance program that allows undeclared U.S. dollars to be exchanged without penalty for certificates of deposit or bonds. The certificates of deposit are designed to be used in real estate transactions and to channel money into energy and infrastructure projects. They can be redeemed for U.S. dollars after they are used in a commercial transaction. Originally scheduled to run for three months, the program has been extended several times. Since its introduction in June 2013 to November 2014, the program has captured slightly over \$1 billion.

Implementation of its AML/CFT regime remains a challenge for the Government of Argentina. While the number of reporting entities has grown to 30,000 and the number of suspicious transaction reports (STRs) the UIF receives has increased dramatically over the past several years, local experts say the government has had difficulty analyzing and prioritizing reports and converting them to actionable intelligence. Recognizing this weakness, the UIF has signed agreements with other government agencies, including the Economic and Money Laundering Prosecutor’s Office (PROCELAC), through which they agree to coordinate information sharing and cooperate and support each other in investigations. The UIF is also conducting outreach and capacity building with reporting entities to improve the quality of STRs.

The government also continues to struggle to prosecute money laundering and terrorist financing cases. According to independent analysis, in the 14 years (2000-2014) that Argentina’s AML/CFT regime has been in existence, there have been a total of 90,000 reports submitted to the FIU. Approximately 7,000 of those have resulted in inspections and 18 entities have been fined a total of approximately 220,000,000 Argentine pesos (approximately \$26 million). During the same period, there have been only four convictions, and in only one case were the perpetrators subjected to prison sentences, fines, and property confiscation.

In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Opposition lawmakers and commenters have raised concerns about prosecutorial independence and note the ad hoc method of appointing prosecutors makes them more likely to be politically dependent on the executive branch. To date, most cases have been targeted at individuals wanted for actions that took place during Argentina’s military dictatorship.

PROCELAC has a unit devoted specifically to asset recovery. The unit is charged with generating and maintaining a database of judicial actions taken to confiscate property. Under law 24767, Article 95, when the government takes action to freeze assets it retains the right to withhold a portion of the seized assets. To date, the UIF has not frozen terrorist assets based on intelligence it developed through its own investigations.

Now that Argentina has established the legal and regulatory infrastructure to underpin its AML/CFT program, it should be better-positioned to measure the effectiveness of its program. Critical components of this effort will be demonstrating the country's commitment to principals of transparency and good governance; fostering a universal culture of AML/CFT compliance; the ability to coordinate and investigate complex financial crimes; and improving the efficiency of the court system.

## **Australia**

Australia has deep, liquid financial markets and is recognized as a leader in investment management. Australia is also recognized internationally in areas such as infrastructure financing and structured products. As an emerging financial services center within the Asia-Pacific region, the country's financial sector is supported by a number of government initiatives such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance, significant sectors in the Australian economy, are estimated to account for 10 percent of total value added. Australia has one of the largest pools of consolidated assets under management globally, valued at A\$2.35 trillion (approximately \$2.02 trillion). It is also a major destination for foreign direct investment.

According to the Australian Crime Commission (ACC), financial crimes continue to increase in diversity, scale, and the level of overall harm they cause Australia. The ACC conservatively estimates that serious and organized crime costs Australia near to A\$15 billion each year (\$12.9 billion). Money laundering remains a key enabler of serious and organized crime.

The Australian Transaction and Reports Analysis Center (AUSTRAC) – the country's financial intelligence unit (FIU) - identifies four key features of money laundering in the country: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to domestic and international crime groups; and the "internationalization" of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.

Trade-based money laundering (TBML), and its potential role in drug trafficking and importation, is a concern of law enforcement agencies. With its strict border and customs regulations, however, the potential for TBML is limited in comparison to other jurisdictions with free trade zones or open border arrangements. Australia's lack of free trade zones is considered to have lowered the risk of TBML.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 64,076: July 2013 - June 2014  
*Number of CTRs received and time frame:* 5,210,418: July 2013 - June 2014  
*STR covered entities:* Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler’s checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

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

*Prosecutions:* 99: July 2013 - June 2014  
*Convictions:* 77: July 2013 - June 2014

***RECORDS EXCHANGE MECHANISM:***

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

Australia is a member of the FATF and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html>

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

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The election of a new government in September 2013 resulted in a number of changes in implementation of the AML/CFT regulatory framework. In December 2013, the Minister for Justice announced the commencement of the statutory review of the Anti-

Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act). The review is being conducted by the Attorney-General's Department with assistance from AUSTRAC. The review will examine the objectives and scope of the AML/CFT regime, opportunities for deregulation, the risk-based approach to AML/CFT, and industry reporting obligations. The review will be completed in 2015 with the submission of a final report to the government.

Seven amendments have been incorporated to the AML/CFT Act in 2013-14. A major enforcement tool to reduce money laundering risks inherent in the alternative remittance sector and informal value transfer systems is the ACC-led Eligo National Task Force (ENTF). The ENTF is an initiative involving the ACC, AUSTRAC, and the Australian Federal Police. In 2014, the ENTF resulted in 12 disruptions to criminal entities and identified 95 criminal targets previously unknown to law enforcement. The ENTF-initiated investigations resulted in seizures of more than A\$21 million (\$17.2 million) in cash and drugs with an estimated street value of more than A\$140 million (\$115 million). As well as disrupting organized crime activities, the ENTF is driving professionalism within the remittance sector to make it more resistant to organized crime. U.S. law enforcement agencies continue to work collaboratively with the ENTF.

AUSTRAC works collaboratively with Australian industries and businesses to promote their compliance with AML/CFT legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. AUSTRAC signed four new financial intelligence exchange agreements in 2014, increasing the number of Australia's exchange instruments with international counterparts to 72. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Australia's Criminal Assets Confiscation Task Force brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The task force identifies and conducts asset confiscation matters.

In May 2014, Australia announced changes to the way in which AUSTRAC would be funded. The government intends to replace the existing Supervisory Cost Recovery Levy, which funds the regulatory activities of AUSTRAC, with a new industry contribution that will fund both AUSTRAC's regulatory and FIU functions. These contributions are expected to provide 70 percent of AUSTRAC's budgeted operating expenditures in 2014-15, 90 percent in 2015-16 and 2016-17, and 100 percent from 2017-18 onwards.

2013-14 witnessed a notable increase in filings in the suspicious transaction report (STR) category 'Refusal to show ID/complete cash transaction report,' which can be attributed to the tightening of third-party currency transaction report (CTR) reporting obligations. Over the last two reporting years, the number of STRs filed with AUSTRAC increased approximately 45 percent. These increases reflect reporting entities' increased awareness of events occurring overseas that are relevant to Australia.

In 2014, AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing. A sanitized report titled "Terrorism Financing in Australia 2014" notes that Australia's banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts. Terrorism financing in

Australia varies in scale and sophistication, ranging from organized fundraising by domestic cells which are part of a larger, organized international network, to funds raised by small, loosely organized, and self-directed groups.

## Austria

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

Casinos and gambling are legal in Austria. The laws regulating casinos include AML/CFT provisions. There are migrant workers in Austria who send money home via all available channels, including regular bank transfers and money transmitters, but also informal and illegal remittance systems. No information is available to what extent informal systems are used.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

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

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

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

***KYC covered entities:*** Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, and auditors

### ***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,490 in 2013

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

**STR covered entities:** Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, auditors, and customs officials

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

***Prosecutions:*** 336 in 2013

***Convictions:*** 8 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

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

Austria is a member of the FATF. Its most recent mutual evaluation can be found at:  
<http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofaustria.html>

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

In recent years, Austria has developed comprehensive AML/CFT legislation, including the enactment of a Sanctions Act; reformed the financial intelligence unit operational procedures and supervisory framework; developed and published regulations and guidelines; and organized a series of outreach events to increase the level of awareness of AML/CFT.

Austria has an “all serious crimes” approach to the criminalization of money laundering plus a list of predicate offenses that do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards.

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

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence in doing business with designated countries. The FMA regulation currently includes eight jurisdictions.

The number of filed STRS has fallen by almost 30 percent in the last two years. Similarly, the numbers of prosecutions and convictions have continued to decline. In addition, the number of AML convictions in relation to the amount of prosecutions is quite low.

## Bahamas

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

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

Gaming is legal for tourists. The Bahamas has four large casinos, including a casino in Bimini that draws in customers from the United States via a ferry service to and from Miami. The \$3.5 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort is scheduled to open in 2015 on New Providence Island, and is set to be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. Gaming operations based on U.S.-based lottery results and the internet, locally known as "web shops," flourish in The Bahamas despite the voters' rejection of a January 2013 referendum that would have legalized web shop gaming. In September 2014, the government passed a comprehensive gaming bill designed to regulate the web shops and bring internet-based gaming into compliance with industry standards.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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



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

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES

*KYC covered entities:* Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 270 in 2013

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

*STR covered entities:* Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0 in 2013

*Convictions:* 0 in 2013

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/the-bahamas-1>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While the Government of the Commonwealth of The Bahamas has the requisite institutional and legal framework to combat money laundering, the number of prosecutions and convictions is low given the scale of the country's financial sector.

The Gaming Bill entered into force in November 2014, and implementation is ongoing. The new regulations require web shop operators to apply for a license, pay taxes on revenue (including retroactive taxes), and comply with internal control standards.

The Government of the Commonwealth of The Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and provide additional suspicious transaction report (STR) training. The financial intelligence unit (FIU), in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk

cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; passing proposed legislation to criminalize the participation in organized criminal groups; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in The Bahamas.

## **Belize**

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. The Government of Belize continues to encourage the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in the offshore financial sector.

Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZs). The larger of the two, the Corozal Commercial Free Zone, is located on the border with Mexico. The smaller CFZ, the Benque Viejo Free Zone, is located on the western border with Guatemala. The Corozal CFZ was designed to attract Mexican citizens for duty free shopping; Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.

Belize is a transshipment point for marijuana and cocaine. There are strong indications that laundered proceeds are increasingly related to organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors.

In 2013, the Caribbean Financial Action Task Force (CFATF) included Belize in its Public Statement for not making sufficient progress in addressing AML/CFT deficiencies and not complying with its action plan to address those deficiencies. The CFATF called upon its members to consider instituting countermeasures to protect their financial systems from the money laundering and terrorism financing risks emanating from Belize. In May 2014, the CFATF noted that Belize has made substantial progress and encouraged Belize to continue implementing its action plan.

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

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

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

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

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

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 141: January 1 - November 14, 2014

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

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

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0 in 2014

*Convictions:* 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

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

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Following the CFATF designation, over the last two years the Belizean government dramatically increased its efforts to strengthen its national AML/CFT regime. In 2014, the Belize National Assembly amended a number of laws and adopted regulations to increase government oversight of financial activities in Belize. The amended acts include the Money Laundering and Terrorism (Prevention) Act; the Companies Act; the Domestic Banks and Financial Institutions Act; the Financial Intelligence Unit Act; the Mutual Legal Assistance and International Co-Operation Act; the Insurance Act; the Financial Investigative Unit Act; the International Financial Services

Act; the Gaming Control Act; the Interception of Communications Act; Customs Regulation Act; Trust Act; Non-Governmental Organizations (NGO) Act; Criminal Code Act; and the Firearms Act.

The new Mutual Legal Assistance and International Co-Operation Act includes provisions to facilitate investigations, prosecutions, and judicial proceedings in relation to criminal matters, including the freezing, seizing, and confiscation of proceeds and instrumentalities of crime and terrorist property. This law also establishes a single competent authority for the receipt and processing of requests for mutual legal assistance and empowers the Attorney General and the Ministry of Foreign Affairs to undertake international cooperation inquiries to and on behalf of foreign countries.

Despite the new laws and regulations, some international experts have noted political will is needed to fully implement and enforce the new legislation through investigations and prosecutions. An absence of money laundering prosecutions and convictions in 2014, coupled with historically low figures, reflects the lack of robust enforcement efforts.

The financial intelligence unit (FIU) is responsible for enforcement and implementation of all AML/CFT-related regulations as well as international sanctions lists, domestic tax evasion, and all money laundering investigations. The FIU has gone through some organizational changes over the past two years, including attorney assignments and increasing the analytical staff from one to three. The FIU is reported to be focused on rolling out its new compliance regime. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. There is limited assistance from other law enforcement agencies, government departments, and regulatory bodies. International donors are working with police executives to develop curricula to train police officers on how to identify cases appropriate for the FIU. At least four educational seminars have been held by the FIU with financial institutions.

In September 2014, the U.S. Government, with assistance from Belize's FIU, indicted six corporate executives and six corporate entities for orchestrating a \$500 million offshore asset protection, securities fraud, and money laundering scheme. The suspects created three brokerage firms in Belize to assist U.S. citizens in fraudulent manipulation schemes of publicly traded companies. In a related action, the FIU froze assets of a company associated with the U.S. prosecution, but in November 2014, Belize's Chief Justice ordered the FIU to release those assets due to insufficient evidence to justify the continued freezing of those accounts.

The Government of Belize should demonstrate its commitment to provide additional resources and training to effectively enforce the country's enhanced AML/CFT regime. Belize should become a party to the UN Convention against Corruption.

## **Bolivia**

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Illicit financial activities are related primarily to cocaine trafficking, and include corruption, tax

evasion, smuggling, and trafficking in persons. Criminal proceeds laundered in Bolivia are derived from smuggling contraband and from the foreign and domestic drug trade.

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. An estimated 70 percent of Bolivia's economy is informal, with proceeds entering the formal market through the financial system; informal exchange houses and non-registered currency exchanges are illegal. There is no indication the illicit financial activity is linked to terrorism financing, though lack of proper safeguards creates a vulnerability to such activity. Much of the informal economic activity occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 25 percent of deposits and 11 percent of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 422 in 2012

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

***STR covered entities:*** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:******Prosecutions:*** 40 in 2014***Convictions:*** Not available***RECORDS EXCHANGE MECHANISM:******With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO***With other governments/jurisdictions:*** YES

Bolivia is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/en/evaluaciones\\_mutuas/Bolivia\\_3era\\_Ronda\\_2011.pdf](http://www.gafilat.org/UserFiles/documentos/en/evaluaciones_mutuas/Bolivia_3era_Ronda_2011.pdf)

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

In recent years Bolivia has enacted several laws and regulations that, taken together, should help the country to more actively fight corruption, terrorism, and money laundering. The Government of Bolivia should continue its implementation of the laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

In April 2013, via Supreme Decree 1533, Bolivia established specific procedures for freezing assets that include procedures for permitting assets to be accessed in specific cases when individuals have no other mechanisms to pay basic expenditures such as food and medical bills.

A continued lack of personnel in the financial intelligence unit, the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework limit the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

In May 2014 Bolivia issued Supreme Decree 910 transferring control of Bolivia's UIF from ASFI (Bolivia's financial regulatory body) to the Ministry of Economy and Public Finance. The government's goal was to decentralize the UIF, giving it a greater degree of independence. However, since the move, statistics that were previously available to the public are no longer available online. Bolivia should rectify this issue and ensure statistics related to its AML/CFT regime are released.

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

Bolivia should continue to strengthen its AML/CFT regime by addressing identified weaknesses.

**Brazil**

In 2014, Brazil was the world's seventh largest economy by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. Sao Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband and counterfeit goods. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

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

Brazil has four free trade zones/ports (FTZs). The government provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available  
***Number of CTRs received and time frame:*** Not available

**STR covered entities:** Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

Brazil is a member of the FATF and the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/brazil/>

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

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. Only combined figures are available for STRs/CTRs. As long as these reports are aggregated, it may be difficult to determine patterns of STR submission by volume, type of filer, or type of violation.

The Government of Brazil achieved visible results over the last few years from investments in border and law enforcement infrastructure. Anti-smuggling and law enforcement efforts by state and federal agencies increased. Brazilian Customs and the Brazilian Tax Authority continue to take action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

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

In March 2014 law enforcement authorities dismantled a criminal ring involved in drug trafficking, tax evasion, gemstone smuggling, illegal mining, and other crimes, and alleged to have laundered about 10 billion reais (approximately \$3.8 billion). The operation, called Lava Jato, or Jet Wash, because the money laundering scheme used a number of gas stations and dry cleaners to launder some of the illicit funds, was linked to the previous arrest of a suspect stopped at a Brazilian airport with nearly \$300,000 stuffed in his socks. This individual had ties to a Lebanese gang that smuggled illegal goods from Paraguay. The investigation is ongoing.



Brazil's Trade Transparency Unit, in partnership with U.S. Immigration and Customs Enforcement, analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result of data comparison, the government identified millions of dollars of lost revenue.

Brazil is a party to the UN International Convention for the Suppression of the Financing of Terrorism; however, Brazil does not criminalize terrorism financing in a manner consistent with international standards. The Brazilian Senate's Commission on Human Rights reviewed draft legislation that would address this deficiency in 2014 but shelved it due to civil society concerns. Brazil should pass legislation to fix this gap in its legal framework.

### **British Virgin Islands**

The British Virgin Islands (BVI) is a UK overseas territory. The economy depends greatly on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin was published in December 2014, reflecting data as of September 2014. The bulletin notes there are 480,932 active companies, six licensed banks, 231 other fiduciary companies, and 2,175 investment businesses and funds registered with the FSC. The banking sector has assets valued at \$2.4 billion as of June 2014.

Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI. The BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time. There are reports that a substantial percentage of BVI's offshore business comes from China.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. The BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI, similar to other jurisdictions in the Eastern Caribbean, is a major target for drug traffickers, who use the area as a gateway to the United States. BVI authorities work with regional and U.S. law enforcement agencies to mitigate the threats.

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

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

**CRIMINALIZATION OF MONEY LAUNDERING:**

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; real estate agents, lawyers, other independent legal advisers, and accountants

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 235 in 2013  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies and money services institutions; real estate agents, lawyers, other independent legal advisers, and accountants

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0 in 2014  
*Convictions:* 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

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

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Recently, BVI implemented a supervisory regime for all designated non-financial businesses and professions, including legal advisors, accountants, and dealers in precious metals and stones, as well as nonprofit organizations. BVI uses suspicious activity reports (SARs) rather than suspicious transaction reports (STRs). SARs, in general, relate to suspicious activities by a broad range of entities, rather than suspicious financial transactions. Therefore, the cited numbers encompass all types of suspicious activities, including those of a financial nature.

Most penalties for AML violations have maximums ranging from \$250,000 - \$500,000 when action is taken through the courts. The FSC can impose administrative fines up to \$100,000. From January through September 2014, the Enforcement Committee reviewed 96 enforcement cases, resulting in four administrative penalties, three cease and desist orders, three license revocations, and nine warning letters.

There is strong collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, which has resulted in several successful operations targeting drug smuggling and drug dealing. There have been 24 money laundering related prosecutions and 13 convictions since 2008.

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

In June 2013, the Government of the United Kingdom announced plans for the UK and its overseas territories and crown dependencies to establish mandatory registers of beneficial ownership. It has since indicated that such registers will be publicly available. The government of the BVI should work toward the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public.

## **Burma**

Burma is not a regional or offshore financial center. Its economy is underdeveloped and its historically isolated banking sector is just beginning to reconnect to the international financial system. Burma's prolific drug production and lack of financial transparency make it attractive for money laundering. While its underdeveloped economy remains unattractive as a destination to place funds, the low risk of enforcement and prosecution makes it potentially appealing to the criminal underground. Besides narcotics, trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are major sources of illicit proceeds. Many Burmese, particularly emigrants remitting money from Thailand or Malaysia to family in Burma, have relied on informal money transfer mechanisms, such as hundi. Alternative remittance systems are abused by criminal networks.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. Since the mid-1990s, Burma has also been a regional source for amphetamine-type stimulants. The 2014 joint Burma-UN Office of Drugs and Crime illicit crop survey reported that for the eighth straight year, opium poppy cultivation increased. The government faces the additional challenge of having vast swaths of its territory, particularly in drug producing areas along Burma's eastern borders, controlled by non-state armed groups. In some areas, continued conflict between ethnic armed groups and Burma's government allow organized crime groups to function with minimal risk of interdiction. Burma's long, porous borders are poorly patrolled.

Corruption is endemic in both business and government. State-owned enterprises and military holding companies retain significant influence over the economy, including control of a substantial portion of Burma's natural resources. There is a continued push to privatize more government assets. The privatization process provides potential opportunities for graft and

money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Rising trade and investment flows, involving a wider range of countries and business agents, also provide opportunities for increased corruption and illicit activities. The rule of law remains weak and Burma continues to face significant risk of narcotics proceeds being laundered through commercial ventures.

There are at least five operating casinos, including one in the Kokang special region near China, that primarily target foreign customers. Little information is available about the regulation or scale of these enterprises. They continue to operate despite the fact casino gambling is officially illegal in Burma.

The FATF includes Burma in its October 24, 2014 Public Statement. The FATF does note that Burma has made some progress in implementing its action plan, including the passage of new AML and CT laws in 2014. Nevertheless, Burma still needs to address certain strategic AML/CFT deficiencies, including adequately criminalizing terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; further strengthening the extradition framework in relation to terrorist financing; ensuring a fully operational and effectively functioning financial intelligence unit (FIU); enhancing financial transparency; and strengthening customer due diligence (CDD) measures.

In November 2003, the United States identified Burma as a jurisdiction of “primary money laundering concern” under Section 311 of the USA PATRIOT Act, a finding that remains in place. The United States continues to issue advisories to financial institutions, alerting them to the risk posed by Burma’s AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

In July 2012, the United States eased economic sanctions related to new U.S. investments in Burma and the exportation of financial services to Burma. In July 2013, the U.S. ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310 ended, with the exception of restrictions on imports of jadeite and rubies. U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force. On February 22, 2013, the U.S. Treasury issued General License No. 19 to authorize U.S. persons to conduct most transactions, including opening and maintaining accounts and conducting a range of other financial services, with four of Burma’s major financial institutions that remain on Treasury’s Specially Designated National (SDN) list: Asia Green Development Bank, Ayeyarwady Bank, Myanma Economic Bank, and Myanma Investment and Commercial Bank. U.S. persons are also permitted to conduct transactions with Burmese banks not included on the SDN list.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, insurance companies, credit societies, finance companies, microfinance institutions, casinos, real estate agents, dealers in precious metals, trust and company service providers, lawyers, notaries, car dealerships and accountants

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 20: January 1 - October 31, 2014  
*Number of CTRs received and time frame:* 211,311: January 1 - October 31, 2014  
*STR covered entities:* Banks (including bank-operated money changing counters); the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department, and Ministry of Mines; state-owned insurance company and small loan enterprise; securities exchange; accountants, auditors, legal and real estate firms and professionals; and dealers of precious metals and stones

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

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

***RECORDS EXCHANGE MECHANISM:***

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

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:  
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>

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

Burma’s financial sector is extremely underdeveloped and most currency is still held outside the formal banking system, although bank deposits have increased over the past several years. The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is weak. On October 1, 2014, the government awarded limited banking licenses to nine foreign banks. The banks will be restricted to providing loans in foreign currency and be required to

partner with local banks in order to lend to local companies. This is likely to significantly increase the volume and frequency of cross-border currency transfers over the next few years. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct.

Burma enacted the Anti-Money Laundering Law in March 2014. Government order No. 56/2014 established the Central Committee for Anti Money Laundering on August 4, 2014. The Central Committee is chaired by the Minister of Home Affairs and includes the Governor of the Central Bank (CB), deputy ministers from Home Affairs and Finance Ministries, the Deputy Attorney General, and additional board members. Mr. Win Aung, President of the Union of Myanmar Federation of Chambers of Commerce and Industry, who sits on this board, is on Treasury's SDN list.

The new AML law criminalizes money laundering and defines predicate offenses. The new AML law includes CDD requirements for all reporting entities. These requirements include identifying the customer and verifying the customer's identity; collecting and understanding information regarding the purpose and the intended nature of the business relationship; and identifying the beneficial owner.

In July 2013, Burma took a major step forward by enacting a new law that grants the CB both independence and exclusive jurisdiction over monetary policy. However, the CB will require substantial assistance and additional resources to develop its capacity to adequately regulate and supervise the financial sector, which remains very limited.

In June 2014, Burma enacted its first counterterrorism law, which criminalizes terrorism financing.

Efforts to address widespread corruption are impeded by an ingrained culture of bribe seeking within the civil service, including police. Low salaries create an incentive for civil servants to seek to supplement their incomes. The military has an untoward influence over civilian authorities, especially at the local level. A new anti-corruption law went into effect on September 17, 2013, but has not yet had a discernible impact.

Burma still needs to take a number of steps to improve its AML/CFT regime. The government should expand the number of organizations required to have KYC/CDD procedures. The FIU should become a fully funded agency that functions without interference, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The government should further strengthen the extradition framework for terrorism financing and address issues in the counterterrorism law's implementation, including the reporting of suspected terrorist financing and the ability to identify and freeze terrorist assets. Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector.

## **Cambodia**

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

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

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

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

*KYC covered entities:* Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; non-governmental organizations (NGOs) and foundations

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 186: January - October 2014

*Number of CTRs received and time frame:* 1,432,489: January - October 2014

*STR covered entities:* Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs and foundations

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

***Prosecutions:*** 0: January - October 2014

***Convictions:*** 0: January - October 2014

***RECORDS EXCHANGE MECHANISM:***

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

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

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=5>

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

The Government of Cambodia has significantly improved its AML/CFT regime over the last few years. It has adequately criminalized money laundering and terrorist financing, established procedures to identify and freeze terrorist assets, established procedures for the confiscation of funds related to money laundering, established a functioning financial intelligence unit (FIU), and instituted controls for cross-border cash transactions.

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or the financing of terrorism until courts have rendered final decisions, but the AML/CFT regime lacks a clear system for sharing assets with foreign governments. In March 2014, Cambodia issued a sub-decree on Freezing of Property of Designated Terrorists and Organizations, which establishes mechanisms and procedures for freezing properties and funds of terrorists and organizations according to UNSCRs 1267 and 1373, and their successor resolutions. In May 2014, Cambodia's General Prosecutor for the Court of Appeals issued an order to all reporting entities, as set forth in Article 4 of the AML/CFT Law, to freeze all properties of individuals or entities named in lists promulgated under UNSCR 1267.

The primary enforcement and implementation concerns involve the willingness of domestic authorities to adequately and efficiently share relevant information among themselves and to competently investigate and prosecute AML-related crimes. The government should work to increase the volume and quality of reporting of STRs and CTRs from reporting entities of all types and increase the operational independence of the nascent and understaffed FIU. Cambodia also should work to further implement existing mechanisms to both allow independent distribution of FIU analyses directly to the most appropriate law enforcement bodies and to facilitate law enforcement requests for information from the FIU.

The law on AML/CFT excludes pawn shops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law. The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), a permanent and senior-level AML/CFT coordination mechanism, has the key role of ensuring the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT



efforts. The NCC has been active in putting forward legal and policy reforms to tackle the country's AML deficiencies.

Despite the noted progress, the Government of Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering, ensure a fully operational and effective FIU, and fully implement controls for cross-border cash transactions. Given the high level of corruption, the government also should require enhanced due diligence for domestic politically exposed persons (PEPs). Cambodia should work to strengthen control over its porous borders. The government should design and implement effective operational procedures both within and among affected agencies, and measure the effectiveness of these procedures on an ongoing basis. It also should provide training to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies; and empower and require law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

## Canada

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

The money laundering methods used in Canada have remained relatively consistent in recent years. They include smuggling; money service businesses and currency exchanges; casinos; the purchase of real estate; wire transfers; establishment of offshore corporations; use of credit cards, stored value cards, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants.

Canada does not have a significant black market for illicit goods. Cigarettes are the most commonly smuggled good in the country. There are indications that trade-based money laundering occurs; and underground financial systems are used within the immigrant community. Some human trafficking organizations have engaged in money laundering. There is no indication this activity is tied to terrorism financing.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); money services businesses (MSBs); accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 81,735: April 1, 2013 - March 31, 2014

**Number of CTRs received and time frame:** 8,313,098: April 1, 2013 - March 31, 2014

**STR covered entities:** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Canada%20full.pdf>.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The possession of proceeds of crime (PPOC) is a criminal offense under the criminal code and is considered money laundering. The same penalties apply to both money laundering convictions and convictions for PPOC involving more than \$5,000. As such, PPOC is not considered to be a lesser offense and is equally effective in pursuing criminals and forfeiting their illicit assets. Investigators regularly make large cash seizures of Canadian and U.S. currency and seize assets purchased with cash, such as real property, vehicles, personal property (jewelry, furniture, and appliances), collectibles (antiques, coins, stamps), and other assets. Bulk cash smuggling is widespread.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but should further enhance its enforcement and conviction capability. In addition to STRs and CTRs, Canada's financial intelligence unit, the Financial Transaction Reports Analysis Center of Canada (FINTRAC) receives reports on casino disbursements, international wire transfers, and cross-border currency movements. FINTRAC made 1,143 disclosures to law enforcement and other government agencies from April 1, 2013 to March 31, 2014. Of these, 845 disclosures were money laundering related, 234 were terrorism

financing or security threat related, and 64 were both money laundering and terrorism financing or security related. Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering (ML), terrorist financing (TF), and threats to the security of Canada investigations. When FINTRAC has determined reasonable grounds exist to suspect information would be relevant to an investigation or prosecution of an ML/TF offense, they are required to disclose financial intelligence to the appropriate authorities.

In June 2014, Canada became one of the first countries to implement comprehensive legislation regulating virtual currencies, such as bitcoin. The new regulations include provisions that subject digital currencies to the same reporting requirements as MSBs, including the requirement that all digital currency exchanges register with FINTRAC. Digital currency exchanges also will be subject to verification, registration, and record-keeping requirements, including the obligations to report suspicious transactions, implement compliance programs, and determine if any of their customers are politically exposed persons (PEPs). The new legislation also covers foreign companies that have a place of business in Canada and those directing services at Canadians. Financial institutions will be prohibited from establishing and maintaining bank accounts for customers involved with virtual currency businesses that are not registered under FINTRAC.

In January 2013 the Government of Canada amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to require reporting entities to better identify customers and understand the nature of their business, monitor business relationships using a risk-based approach, and identify beneficial owners of corporations and trusts, consequently enabling the reporting entities to identify transactions and activities that are at greater risk of ML/TF activity. The regulations went into effect on February 1, 2014.

As part of a package of amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) introduced in 2014 under the Economic Action Plan Act 2014, No. 1, the provisions of the PCMLTFA pertaining to politically exposed persons (PEPs) were amended to include politically exposed domestic persons (PEDP) and heads of international organizations. The bill was enacted on June 19th, 2014. The PCMLTFA now requires reporting entities to determine whether a client is a politically exposed foreign person (PEFP), a PEDP, a head of an international organization, or a close associate or prescribed family member of any such person. The definition of a PEDP includes persons holding a specified political office at a national, provincial, or territorial level, as well as mayors at the municipal level. The definition of 'head of an international organization' refers to persons who are heads of international organizations founded by treaty, and not non-governmental organizations. The circumstances under which a reporting entity must make such a determination, and the measures to be taken as a result, are to be set out in regulation. The legislative and regulatory amendments would come into force at the same time.

Canada is currently undertaking a broader ML/TF risk assessment. On June 18, 2013, Canada published its Action Plan on Transparency of Corporations and Trusts. Canada's Action Plan commits to developing a new ML/TF risk assessment framework and conducting a formal assessment of these risks domestically to better inform the development and implementation of effective policies and operational approaches to mitigate risks. An interdepartmental Risk Assessment Working Group led by the Department of Finance has been established, the Terms of Reference were approved in spring 2013, and work is proceeding on the scheduled timeline. As part of Budget 2014, Canada's Action Plan on Transparency of Corporations and Trusts, the Canadian Government will consider options to further improve corporate transparency, taking into account the results of Industry Canada's current consultations on corporate transparency issues in the context of the Canada Business Corporations Act. The government also committed to consider the option of an explicit ban on bearer instruments.

Budget 2014 also announces the government's intention to introduce legislative amendments and regulations to strengthen Canada's AML/CFT regime. A package of almost 40 legislative amendments to the PCMLTFA was put forward through the Economic Action Plan 2014 Act, enacted on June 19th, 2014. In general, amendments that are internal to government came into force immediately and those that have an impact on the private sector will come into force in June 2015 or when enacting regulations are introduced.

Canada's Integrated Criminal Courts Survey, which includes the specific data relative to money laundering prosecutions and convictions, was recently released for the year 2011-12; the actual data for those years will be available in 2015. Data for more recent years are not available.

Canada should continue its work to strengthen its AML/CFT regime and ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

## **Cayman Islands**

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

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of June, 2013, the banking sector had \$1.5 trillion in assets. In 2014, there were approximately 206 banks, 140 active trust licenses, 765 captive insurance companies, six money service businesses, and more than 92,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2014 there were approximately 8,056 registered mutual funds, of which 397 were administered and 106 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands does not permit the registration of offshore gaming entities. There are no free trade zones, and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

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

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

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

***RECORDS EXCHANGE MECHANISM:***

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

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthecaymanislands.html>

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

In 2014, the Cayman Islands increased both its regulatory and law enforcement staffing. In order to better gauge the effectiveness of the Cayman Islands' AML/CFT programs, authorities should release updated information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

Registered agents of private trust companies are obligated to maintain ownership and identity information for all express trusts under their control. International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. There remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. An increasing percentage of Master Funds (numbering 2,733 as of September 2014) are regulated. Funds failing to maintain identity information are subject to fines.

In May 2014, the Cayman Islands passed the Cayman Islands Directors Registration and Licensing Law in an attempt to hold company directors and leaders of certain financial entities to higher standards and limit the instances of fraud. The Cayman Islands also should pay greater attention to the risks and proper supervision of non-profit organizations.

The Cayman Islands continues to develop its network of information exchange mechanisms and has a network of 35 signed information exchange agreements, with 27 in force.

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

## **China**

According to Global Financial Integrity (GFI), China leads the world in illicit capital flows. GFI estimates that over \$1 trillion of illicit money left China between 2003 and 2012. Massive outflows continue. Chinese foreign exchange rules cap the maximum amount of yuan individuals are allowed to convert into other currencies at \$50,000 each year and ban them from transferring yuan abroad directly. A variety of money laundering techniques are used to circumvent the restrictions.

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal

proceeds are generally laundered via methods that include bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets, such as real estate and gold; the investment of illicit funds in lawful sectors; gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fundraising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities also have observed that money laundering crimes continue to spread from the developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

China is not considered a major offshore financial center; however, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 other coastal cities. As part of China's economic reform initiative, China opened the Shanghai Free Trade Zone in September 2013.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 24,531,000 in 2013  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks, securities and futures institutions, and insurance companies

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

*Prosecutions:* 11,645 in 2013  
*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

China is a member of the FATF as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/china/documents/mutualevaluationofchina.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While China's October 2011 legislation has addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies must still be addressed. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions. In early 2013, the People's Bank of China published new regulations which require Chinese banks to rate clients' risks based on a variety of factors, including a client's location or nature of business. The guidance states banks must submit their plans for enacting the new customer assessments by the end of 2013 and put these systems in place by the end of 2014.

China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used to support the investigation and prosecution of a wide range of criminal activity.

The government should ensure all courts are aware of and uniformly implement the mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and the public prosecutors are authorized to take provisional measures to seize or freeze property in question to preserve the availability of the same for later confiscation upon conviction. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of substitute assets of equivalent value. The amended Criminal Procedure Law that came into effect in January 2013 gives Chinese prosecutors the authority to seek authorization from the courts to forfeit the properties of suspects who have fled or died, and where the case in question involves public corruption, terrorism, or exceptional circumstances. Information about the implementation of this provision remains scarce.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this area. U.S. law enforcement agencies note China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement-based cooperation, the Chinese government's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against China-based assets



remains a significant barrier to enhanced U.S.-China cooperation in asset freezing and confiscation.

While China continues to make improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation and transparency remain lacking, particularly in the context of international cooperation. The Government of China should expand cooperation with counterparts in the United States and other countries, and pursue international AML/CFT linkages more aggressively. China should also cooperate with international law enforcement to investigate how indigenous Chinese underground financial systems and trade-based value transfer are used to circumvent capital restrictions for illicit outbound transfers and capital flight, and to receive inbound remittances and criminal proceeds for Chinese organized crime.

## **Colombia**

Despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money, primarily from Colombia's illicit drug trade and illegal mining, continues to penetrate its economy and affect its financial institutions. Money laundering is a significant avenue for terrorist financing in geographic areas controlled by both the Revolutionary Armed Forces of Colombia (FARC) and the bandas criminales (BACRIM).

Casinos, the postal money order market, the smuggling of bulk cash, gasoline, liquor, household appliances, wire transfers, remittances, the securities markets, games of chance and other lottery schemes, electronic currency, prepaid debit cards, and prepaid cellular minutes are other techniques used to repatriate illicit proceeds to Colombia or to launder illicit funds within Colombia's borders. The trade of counterfeit items in violation of intellectual property rights is another method to launder illicit proceeds. The 104 free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation, supervision, and transparency.

Criminal organizations with connections to financial institutions in other countries smuggle merchandise to launder money through the formal financial system using trade and the non-bank financial system. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad and are either smuggled into Colombia via Panama, Venezuela, and other neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. Counterfeit and smuggled goods are readily available in well-established black markets in most major cities in Colombia, with proceeds from the sales of these goods directly benefiting criminal enterprises. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated by the complicity of corrupt Colombian customs authorities.

COLJUEGOS is a relatively new organization charged with regulating the gaming industry and all national and departmental lotteries. Indications are that much money laundering activity has moved to regionally-run lotteries called "Chance," which are easily exploitable due to weaknesses in the reporting system of these games to central government regulators.

COLJUEGOS is currently undertaking studies to better understand the incidents of suspicious transactions in “Chance” games.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 6,943: January – November 2014  
***Number of CTRs received and time frame:*** 17,641,361: January – November 2014  
***STR covered entities:*** Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

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

***Prosecutions:*** 46: January - October 2014  
***Convictions:*** 57: January - October 2014

***RECORDS EXCHANGE MECHANISM:***

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

Colombia is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafisud.info/pdf/InformedeEvaluacinMutuaRepblicadeColombia\\_1.pdf](http://www.gafisud.info/pdf/InformedeEvaluacinMutuaRepblicadeColombia_1.pdf)

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

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, lack of experience, and an inadequate level of expertise in investigating and prosecuting complex financial crimes. Colombian laws are limited in their respective authorities to allow different agencies to collaborate and pursue financial crimes, and there is a lack of clear roles and responsibilities among agencies. Despite improvements, regulatory institutions have limited analytical capacity and tools, and lack the technology to effectively utilize the vast amount of available data.

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. Under the 2014 reorganization of the Colombian Attorney General's Office (Fiscalia), the Antinarcotics and Money Laundering Unit (DFALA) is responsible for investigating the country's money laundering and narcotics trafficking cases with support from the Colombian National Police (CNP) and the Prosecutor General's investigative body, the Technical Investigation Corps (CTI). In addition, the newly created Economic and Financial Police (PEF), housed within the Attorney General's Office and comprised of prosecutors, judicial police, investigators, and analysts, intends to, for the first time, create a truly specialized investigative body with the technical, financial, and investigative expertise to successfully detect, investigate, and prosecute money laundering/terrorist financing (ML/TF) cases. In addition, PEF considers the development of a successful methodology for use by all Colombian government entities involved in the regulation of the Colombian financial system, or tasked with investigating violations of the laws that regulate the financial system, as one of its primary objectives. Despite these positive institutional steps, the legal framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who focus on the most serious cases. Misallocation of training resources has limited the pool of prosecutors, police, and investigators outside of Bogota who have the ability to successfully investigate and prosecute ML/TF cases. Additional training is required and investigators should have additional specialized financial training. Colombia should increase the number of judges specifically assigned to money laundering and asset forfeiture cases both in Bogota and in the regions where many of these cases occur.

COLJUEGOS has made some gains in the last year, adding analytic capacity through technology purchases and training. However, the agency still has difficulty completing its regulatory obligations due to a lack of resources, unfamiliarity with how to process and share information with prosecutors and judicial police, and a lack of information sharing agreements with other regulatory and intelligence agencies. COLJUEGOS will seek to address the reporting by "Chance" games and other regulatory weaknesses by introducing stronger regulations in 2015.

Colombian law limits the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information and Financial Analysis (UIAF), to the Attorney General's office only. New UIAF leadership has worked to improve interagency cooperation and successfully proposed a legislative change to designate the unit as an intelligence agency, allowing it to share information with other intelligence agencies. Colombia took steps to foster better interagency cooperation -- including improved case coordination among the UIAF, prosecutors, and the CNP's specialized judicial police units. Despite these improvements, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the

Attorney General's office. This increases case processing time and adds unnecessarily to prosecutor caseloads. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in their investigations from the very start to ensure greater prosecutor participation and that the information gathered will be of use to the prosecutors during their own investigation and prosecution of a case.

In 2013, the UIAF implemented an assessment methodology to proactively generate tangible results in identifying criminal money laundering networks. This methodology allowed it, over a two-year period, to detect illicit assets related to 251 Colombian investigations, with an approximate commercial value of \$4.4 billion. In 2013, Colombia seized more than \$800 million of assets associated with drug trafficking and money laundering activities, more than double the value of seized assets in 2012.

Colombia is developing as a regional AML/CFT leader, and is a key component of a regional FIU initiative to establish greater information sharing to combat transnational financial crimes. The UIAF is working with FinCEN and Mexico's FIU, while the PEF will seek to foster the establishment of similar units in other Latin American countries, especially those where criminal organizations have strong ties to Colombian counterparts and aid in the two-way flow of illicit goods and money.

Colombia's 2014 Asset Forfeiture Reform Law, Law 1708, which entered into force on July 21, 2014, streamlines the asset forfeiture process and is expected to reduce forfeiture case processing time. Law 1708 also authorizes Colombian prosecutors and courts, for the first time, to register and enforce foreign (including U.S.) judgments of forfeiture against assets located in Colombia, and provides the first legal authority for Colombia to share a portion of the assets it forfeits with other countries that have facilitated the Colombian forfeitures. While the law gives Colombian authorities a strong tool, lack of familiarity with the law, especially outside of Bogota, continues to challenge the judicial sector. In 2014 the Colombian government reorganized the body in charge of managing seized assets, which should increase the speed by which these assets can be discharged and the funds disbursed to the appropriate government entities.

The Government of Colombia should pass legislation that broadens respective authorities among agencies to foster collaboration in pursuing financial crimes. Agencies should have a clear delineation of roles and responsibilities, and regulatory institutions should have expanded analytical capacity and tools, including technology, to utilize successfully the vast amount of available data. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing.

## **Costa Rica**

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from infiltrating the country.

Proceeds from international cocaine trafficking represent a significant source of assets laundered in Costa Rica. Sizeable Costa Rica-based online gaming operations also launder millions of

dollars in illicit proceeds through the country and offshore centers annually. Criminals launder other proceeds through Costa Rica from activities that include financial fraud, human trafficking, corruption, and contraband smuggling.

Criminal organizations use financial institutions, licensed and unlicensed money transfer businesses, bulk cash smuggling, and the free trade zones to launder the proceeds of their illicit activities. Money services businesses are at significant risk for money laundering and a potential mechanism for terrorist financing. Trade-based money laundering, while used, is not detected with the same frequency as the above typologies. While there is no recent investigation related to terrorism financing, recent investigations in Costa Rica detected narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC).

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES

***KYC covered entities:*** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

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

***STR covered entities:*** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

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

***Prosecutions:*** 4: July 2013 – December 2014

***Convictions:*** 4: July 2013 – December 2014

***RECORDS EXCHANGE MECHANISM:***

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

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

Costa Rica is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Once published, its most recent mutual evaluation will be found at: <http://www.gafilat.org/content/evaluaciones/#3>

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

While Costa Rica made substantial progress in enhancing its AML legal and regulatory frameworks, a 2013 case demonstrated that financial sector regulators failed to prevent a major money laundering scheme from openly operating in Costa Rica despite various red flags. In addition to these regulatory deficiencies, various other obstacles hinder Costa Rica's ability to effectively investigate and prosecute money laundering crimes. The underutilization of investigative tools—such as cooperating witnesses, confidential informants, electronic surveillance, and undercover operations—reduces the efficacy of investigators. The laws that govern corporations do not adequately provide for transparency, resulting in the extensive use of corporate structures to facilitate money laundering. In addition, criminal liability does not extend to corporate entities.

In 2013, the Public Ministry established a separate Money Laundering and Asset Forfeiture Bureau. Most money laundering investigations were previously handled by the Economic Crimes Bureau. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information.

Costa Rica has a minimal legal framework for non-conviction-based asset forfeiture, with no stand-alone legislation. The government has pursued only one successful case under this minimal legal framework, which has been in effect since July 2009. In November 2013, the President submitted to the National Assembly a proposal to improve non-conviction-based asset forfeiture. The draft bill 18964 seeks to create the first stand-alone law governing non-conviction-based asset forfeiture. The legislation would be a significant improvement to the current law and would enhance Costa Rica's ability to dismantle criminal organizations. The National Assembly has yet to act on the proposal while other government agencies continue to undertake revisions to the proposal.

Costa Rica has a tax information exchange agreement with the United States. Additionally, Costa Rica cooperates well with appropriate U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. In May 2013, Costa Rican authorities assisted U.S. investigators in taking down an online money transfer business based in Costa Rica alleged to have laundered approximately \$6 billion.

## Curacao

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. A governor appointed by the King represents the Kingdom on the island, and a Minister Plenipotentiary represents Curacao in the Kingdom Council of Ministers in the Netherlands. Curacao is considered a regional financial center and a transshipment point for drugs from South America bound for the United States, the Caribbean, and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations take advantage of the availability of U.S. dollars, banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder drug proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport between Curacao, the Netherlands, and other Dutch Caribbean islands. Bulk cash smuggling is a continuing problem due to Curacao's close proximity to South America.

Economic activity in the free zones is declining, although local merchants are confident the situation will improve. Curacao's active "e-zone" provides e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

The financial sector consists of company (trust) service providers, administrators, and self-administered investment institutions providing trust services and administrative services. These entities have international companies, mutual funds, and investment funds as their clients. Several international financial services companies relocated their businesses elsewhere because Curacao is fighting its perception of being a tax haven. Curacao continues to sign tax information exchange agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, financing of terrorism, and money laundering. The country periodically implements voluntary tax compliance programs; most recently, a one-year amnesty program took place in 2012-2013.

Curacao's Technology Exchange, CTEX, opened in 2013. Several casinos and internet gaming companies operate on the island, although the number of internet gaming companies is declining.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES

*KYC covered entities:* Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 7,206: January 1 – November 17, 2014

*Number of CTRs received and time frame:* 6,629: January 1 – November 17, 2014

*STR covered entities:* Domestic and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 1 in 2014

*Convictions:* 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=349&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Dutch Kingdom released its 2012 Threat Monitor Organized Crime (NDB), a quadrennial report on the nature and threat of organized crime within the Kingdom. The NDB establishes an integrated framework for tracking organized crime in the Caribbean region, and under the framework, government agencies are working more closely together, including through greater information sharing.

Curacao's Public Prosecutor's Office continues to investigate money laundering allegations against a member of the board of the Curacao Lottery Foundation who also is a major lottery operator. The Government of Curacao's cooperation with the U.S. government led to the freezing of over \$30 million of the lottery operator's assets in the United States. The lottery operator is reputedly a major financier of a political party in Curacao. A former prime minister is also being investigated for alleged money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Pursuant to local legislation, the reporting entities file unusual transaction reports (UTRs) to the financial intelligence unit (FIU)



and not suspicious transaction reports (STRs), as is the custom in common law legal systems. The FIU analyzes the UTR and determines if it should be classified as a STR. There were 15,754 UTRs filed in 2014, as of November 17. From January 1 - November 17, 2014, there were 4,440 disseminated referrals to law enforcement agencies. On January 1, 2014, an acting chief was appointed to guarantee the continuity and functioning of the FIU.

In 2014, a money laundering operation between Curacao, Aruba, and the FARC in Colombia was intercepted by authorities. According to reports, approximately \$2 million was laundered using the illicit cigarette trade. The cigarettes, which were intercepted, were hidden in 750 containers and reportedly originated in Paraguay. The cigarettes were routed to Colombia via a Curacaoan and Aruban brokerage.

The mutual legal assistance treaty between the Kingdom of the Netherlands and the United States applies to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Curacao, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao. The UN Convention against Corruption has not been extended to Curacao.

Curacao should continue its regulation and supervision of the offshore sector and free trade zones, as well as its pursuit of money laundering investigations and prosecutions. The government should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases. Curacao should enact legislation to effectively tackle money laundering vulnerabilities in the money remittance and currency exchange sector. Curacao also should strengthen cooperation within the Kingdom, particularly among agencies such as the Public Prosecutors Office, Customs, Immigration, Revenue Services, Coast Guard, and the Royal Dutch Marechaussee (military police).

## **Cyprus**

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the area that the Turkish Cypriots declared independent in 1983. The United States does not recognize the “Turkish Republic of Northern Cyprus,” nor does any country other than Turkey.

Cyprus is a regional financial center, and until the financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. A number of factors contributed to Cyprus’ rise as a regional business hub: its preferential tax regime; double tax treaties with 54 countries, including the United States, several European nations, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a

sophisticated telecommunications infrastructure; and EU membership. As of October 2014, there were about 255,521 companies registered in Cyprus, many of which belong to non-residents, particularly Russians, who are moving their money from banks to investment in business companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the biggest vulnerability for money laundering in Cyprus is primarily from international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

In March 2013, the financial crisis led the Republic of Cyprus to seek bailout assistance from the Troika (European Commission, European Central Bank, and IMF). The Cypriot economy contracted by 5.4 percent in 2013 and is expected to contract by another 2.8 percent in 2014 before returning to low growth in 2015. As part of the bailout package, Cyprus agreed to far-reaching reforms, including restructuring and consolidation of its financial services sector and an AML action plan. As of November 2014, the Cypriot economy had successfully completed four Troika reviews.

Yet confidence in the Cypriot banking sector remains fragile as reflected by the reliance on cash-based transactions. Experts informally estimate currency in circulation for the month of November 2014 was \$2.25 billion (€1.8 billion), compared to \$1.1 billion (€ 800 million) for the same period in 2013.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 710 in 2014  
***Number of CTRs received and time frame:*** Not available  
***STR covered entities:*** Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

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

***Prosecutions:*** 172 in 2014  
***Convictions:*** 11 in 2014

***RECORDS EXCHANGE MECHANISM:***

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

Cyprus is a member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:  
[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp)

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

The Republic of Cyprus continues its efforts to counter criticisms of lax banking rules by strengthening its AML regime and resources. Despite the government-wide hiring freeze and caps on government spending, the financial intelligence unit, MOKAS, reports it has two new staff members. It is still too early to evaluate the effectiveness of the Troika-recommended measures.

Cyprus has adopted and implemented new provisions addressing enhanced due diligence for politically exposed persons (PEPs) and inclusion of tax evasion as a money laundering offense.

Throughout 2014, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing,

seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. In spite of the changes, Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. The MOKAS, can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Cyprus should focus on enforcement and education. Particularly in light of plans to deregulate and establish a gaming industry, Cyprus should establish a post-financial crisis track record of intolerance for questionable business practices.

### **Area Administered by Turkish Cypriots**

The Turkish Cypriot-administered area lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. There are 22 banks in the area administered by Turkish Cypriots; seven are branches of international banks. The “Ministry of Economy” drafts banking “regulations” and the “Central Bank” supervises the implementation of the “regulations.”

The offshore banking sector remains a concern to law enforcement. It consists of eight banks regulated by the “Central Bank” and 146 companies regulated by the “Ministry of the Economy.” Offshore banks are not authorized to conduct business with residents in the north and may not deal in cash. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch in the north.

As of November 2014, there are 28 casinos in the Turkish Cypriot-administered area - four in Nicosia, three in Famagusta, three in Iskele, and 18 in Kyrenia. These remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

There are press reports of smuggling of tobacco, alcohol, meat, and fresh produce across the buffer zone. Additionally, intellectual property rights violations are a concern; a legislative framework is lacking; pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

**Enhanced due diligence procedures for PEPs:** *Foreign:* NO *Domestic:* NO  
**KYC covered entities:** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 484 in 2014

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

**STR covered entities:** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 10 in 2014

**Convictions:** 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

The area administered by Turkish Cypriots is not part of any FATF-Style Regional Body (FSRB) and thus is not subject to normal peer evaluations.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While significant progress has been made in recent years with the passage of “laws” better regulating the onshore and offshore banking sectors and casinos, these “statutes” are not sufficiently enforced to prevent money laundering. The resources dedicated to enforcing the administered area’s “AML Law” fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for “law enforcement.”

With international assistance, the Turkish Cypriots drafted new AML “legislation” in 2014 that incorporates UNSCRs 1267 and 1373 and extends to casinos and exchange houses. The “legislation” was referred to “parliament” in June 2014 for discussion and is pending approval.

All banks are required to follow KYC and AML “laws.” Banks and other designated entities are required to submit STRs to the “FIU.” According to the Turkish Cypriot “FIU,” only .32 percent of STRs filed between 2008 and 2013 came from casinos. Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “attorney general’s office,” and then, if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of

the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “Police,” and “Customs.”

In 2014, compliance officers in the financial services industry organized and established a Turkish Cypriot Compliance Officers Association with the purpose of enhancing AML standards. The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively, because of the area’s money laundering and terrorist finance risks.

The Turkish Cypriot authorities should continue their efforts to strengthen the “FIU” and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

## **Dominican Republic**

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and construction companies contribute to money laundering activities in the DR.

There are no reported hawala services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has a law creating an international financial zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR’s AML regulatory regime.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, currency exchange houses, and securities brokers; issuers, sellers, and redeemers of traveler’s checks, money orders, or other types of negotiable instruments; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 6,845: January 1 - October 31, 2014  
*Number of CTRs received and time frame:* 636,751: January 1 – October 31, 2014  
*STR covered entities:* Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

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

*Prosecutions:* 10 in 2014  
*Convictions:* 4 in 2014

***RECORDS EXCHANGE MECHANISM:***

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

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthedominicanrepublic.html>

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

Following its expulsion from the Egmont Group of FIUs in 2006, the FIU improved its functionality, but problems remain. Specifically, the creation of an additional FIU-like organization to regulate international financial zones, as stipulated under Law 480/08, is in contravention of the Egmont Group rules. On August 8, 2014, President Medina signed Law 312/14 which eliminates the possibility of a second FIU; subsequently, the Dominican Republic officially requested readmission to the Egmont Group.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. The U.S. and the DR do not have a mutual legal assistance agreement (MLAT) but do in fact use the MLAT process to exchange data for judicial proceedings. The process is only used on a case by case basis.

Although the DR strengthened its laws on politically exposed persons (PEPs) and correspondent relationships, weaknesses persist. In addition, the DR should pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR Congress is currently reviewing legislation that would align the asset forfeiture regime with international standards.

## France

France's banking, financial, and commercial relations, especially with Francophone countries, make it an attractive venue for money laundering because of its sizeable economy, political stability, and sophisticated financial system. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime generate illicit proceeds.

France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has a large informal sector, and informal value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Casinos are regulated. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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



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

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES

*KYC covered entities:* Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 27,477 in 2013

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

*STR covered entities:* Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

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

*Prosecutions:* 458 in 2013

*Convictions:* Not available

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

France is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/france/>

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

The Government of France applies the 2006/70/CE EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence.

TracFin, France's financial intelligence unit (FIU), has hired new officers, updated its investigative methods, and modernized its information systems, making compliance with the KYC rules easier for covered entities. More data is also made available to the public online.

TracFin staff has benefitted from additional training, and further improvements are planned. TracFin is examining ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also has been increasingly focused on tax and social benefits fraud, closely collaborating with the Budget Ministry and social security organizations. TracFin has signed new international cooperation agreements with Niger (May 2013), Singapore (July 2013), and the Vatican (June 2014), bringing the number of bilateral agreements to 57.

Effective November 1, 2013, the systematic communication of information (COSI) applies to transfers of cash payments or transfers via electronic payments. The system was created to improve financial information available to TracFin. Designated professionals and institutions have to provide information on transfers of funds used for payments in cash or by wire when transfers are more than 1,000 euros (approximately \$1,240). The information has to be provided to TracFin within 30 days following the month in which the payment was made. Effective April 1, 2014, the COSI also applies to transfers of more than 2,000 euros (approximately \$2,720) made by a client over a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt professionals from their obligations to report STRs.

A January 2013 law includes e-money institutions among the entities subject to risk mitigation requirements, such as verifying a client's identity. On January 29, 2014, the French banking regulator, the Prudential Control Authority (ACPR) issued a warning against the risks of fraud and money laundering arising from buying, holding, or trading virtual currencies such as bitcoins. The ACPR also stated that, in France, the exchange of bitcoins against a currency requires a license as a payment services provider.

On March 14, 2014, ACPR published AML/CFT guidelines regarding the field of wealth management in the banking and insurance sectors. These guidelines revise those adopted in 2010 and are aimed at identifying the specific risks associated with wealth management.

The Agency for the Management of Seized and Confiscated Assets (AGRASC) oversees the collection and distribution of forfeited assets in cooperation with international partners. According to the 2013 AGRASC report, France has continued to cooperate with international partners to seize assets, and has implemented sharing agreements with Luxemburg and the UK. However, the sharing of assets with international partners is not yet a routine practice.

France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law. Information on the number of convictions in 2012 and 2013 is not available; the French Justice Ministry releases the number of convictions with a two-year delay.

## **Germany**

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the Eurozone, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist

financing because of its large economy, advanced financial institutions, and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics.

Organized criminal groups involved in drug trafficking and other illegal activities are sources of laundered funds in Germany. According to officials, as of 2010, an estimated EUR 40-60 billion (approximately \$55–82 billion) of criminal proceeds, inclusive of tax evasion, are generated in Germany annually.

Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal financial sector, and informal value transfer systems, such as hawala, are used by immigrant populations accustomed to such systems in their home countries. There is little data on the scale of this activity.

Trends in money laundering include the largest increase in suspicious transaction reports since 2002, when Germany's financial intelligence unit was created (although most reports were of low quality, indicating increased awareness of the issue but a lack of ability to develop further information); and an increase in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. Bulk cash smuggling by organized crime elements is prevalent in Germany, especially illicit drug proceeds arriving in Germany from the Netherlands. The use of cash is high. Free zones exist in Bremerhaven, Cuxhaven, and Hamburg. Unfenced inland ports are located in Deggendorf and Duisburg.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

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

*KYC covered entities: Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods*

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame: 19,095 in 2013*

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

***STR covered entities:*** Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

Germany is a member of the FATF. Its most recent mutual evaluation can be found at:  
<http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html>

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

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed suspicious transaction reports (STRs). Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately \$122,774) under the AML Act. Legal persons are only covered by the Administrative Offenses Act and are not criminally liable under the criminal code.

While Germany has no automatic currency transaction report (CTR) requirement, large currency transactions frequently trigger STRs. Germany should consider strengthening the above provisions and also tightening the regulations on domestic politically exposed persons (PEPs). Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes. In practice, asset forfeiture is limited in utility as the state holds the burden of proof to prove a tie to a specific and credible illegal act. Germany has time restrictions on how long it can restrain forfeitable assets for foreign proceedings and may only be able to hold such assets for one year.

Germany became a party to the UN Convention against Corruption on November 12, 2014.

**Greece**

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings show that Greece is vulnerable to narcotics trafficking, trafficking in persons, illegal migration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes have increased in recent years, and criminal organizations, some with links to terrorist groups, are increasingly trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

Greece has three free trade zones (FTZs), located in the Heraklion, Piraeus, and Thessaloniki port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

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

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

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

***KYC covered entities:*** Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 5,526: January 1 – October 31, 2014

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

***STR covered entities:*** Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

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

***Prosecutions:*** 108: January 1 - October 31, 2014

***Convictions:*** Not available

### ***RECORDS EXCHANGE MECHANISM:***

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

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

Greece is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/greece/>

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

The Government of Greece has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). The FIU has technical and data management systems and capacities to support its functions, but austerity measures to the budget have affected all government agencies, including the FIU. However, the FIU has limited, yet sufficient, financial resources to ensure it is able to fulfill its responsibilities and that its powers are in line with international standards. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece should take steps to ensure a more effective confiscation regime. While the AML/CFT law contains provisions allowing for civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to initiate civil procedures and currently do not do so, except in cases involving the death of a suspect. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately \$1,875) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately \$1,875) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$122,195) are subject to examination.

Greece should explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The government should ensure domestic politically exposed persons (PEPs) are also subject to enhanced due diligence, ensure that designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

## **Guatemala**

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of synthetic drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Law enforcement agencies report that money laundering continues to increase, especially by groups of air travelers heading to countries, such as Panama, with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provides an additional avenue to transport bulk cash shipments directly to South America. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Border Control Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the customers' money (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2014, there were seven "offshore" entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 16 active free trade zones (FTZs). FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking activity. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant

number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity presents a significant money laundering risk.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks and offshore banks; credit unions; finance, factoring, and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 774: January 1 - October 31, 2014

***Number of CTRs received and time frame:*** 8,345,729: January 1 - September 30, 2014

***STR covered entities:*** Banks and offshore banks; credit unions; bonded warehouses; finance, factoring, and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; insurance brokers; independent insurance agents; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents; armoring services and rental of armored vehicles; providers of fiscal domicile and other corporate services

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

***Prosecutions:*** 33: January 1 – October 31, 2013

***Convictions:*** 47: January 1 - October 31, 2013

***RECORDS EXCHANGE MECHANISM:***



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

Guatemala is a member of both the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force in Latin America (GAFILAT), FATF-style regional bodies. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=344&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en)

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

Although staffing of the FIU, the IVE, increased over the last several years, as has the number of filed STRs, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry, i.e., the Attorney General's office, staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

A 2011 law prevents new businesses from issuing bearer shares of stock. The law required any existing business with bearer shares to convert the shares to nominative by June 2013. According to information from the Mercantile Registry, about 97 percent of businesses that issued bearer shares prior to the entry into force of this law made the conversion to nominative shares by the June 2013 deadline. Shareholders of businesses holding bearer shares after June 2013 are not able to exercise their rights nor carry out any procedure with the Mercantile Registry.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 0.4 percent in 2013 and 9 percent during the first nine months of 2014 in relation to the same period in the previous year.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in the international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries. Reportedly, covered entities expressed fear that there may be repercussions if they file reports.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money laundering. A draft gaming law has been under review by members of Congress for the last two years, and it is unlikely action will be taken in the near term. Tipping off is not criminalized, and there is no provision to protect STR filers from liability. Guatemala should amend its AML/CFT legislation to include such provisions and to cover all applicable DNFBPs. Furthermore, Guatemala should enact its proposed gaming law.

### **Guernsey**

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK

for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk that proceeds of crime will be invested in or pass through the Bailiwick. As the majority of customers of Bailiwick businesses are based elsewhere, any such proceeds are likely to arise from foreign predicate offenses.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

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

*KYC covered entities:* Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 693 in 2014

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

*STR covered entities:* All businesses

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

*Prosecutions:* 4 in 2014

*Convictions:* 1 in 2014

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

In lieu of a mutual evaluation, a report was prepared by the IMF; the report can be found at: <http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

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

Guernsey's comprehensive AML/CFT legal framework provides a basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no weaknesses have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Financial Intelligence Service (FIS) is a law enforcement type of financial intelligence unit (FIU). The FIS primarily performs a pre-investigative and intermediary role before disseminating relevant information not only to domestic authorities but also to counterpart FIUs.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the United States, using the full range of investigatory powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick in 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guernsey has legislation in place regarding UN sanctions measures, which are implemented by way of an Ordinance under the European Communities (Implementation) (Bailiwick of Guernsey) Law 1994.

## **Guinea-Bissau**

Guinea-Bissau turned a significant corner this year after the election of a new National Assembly and of José Mario Vaz as president. Taking office in June 2014, the president appointed a government that includes strong reformers in key roles, including prime minister, ministers of Justice and Finance, Attorney General, and director of the Judicial Police. The Government of Guinea-Bissau has committed itself to a program of security, judicial, and financial reform and has sought and received assistance from international partners. Signaling its seriousness about reforming the military, the government removed and retired the military chief of staff, Antonio Indjai, for whom a U.S. arrest warrant for drug trafficking was issued in 2013. In addition, more than 200 officers and 2,000 enlisted soldiers have been dismissed.

Despite initial efforts on the part of the new Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a "narco-state" persist. The 88 islands that make up the

Bijagos Archipelago, combined with a military still able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for drugs. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Drug barons from Latin America and their collaborators from the region and elsewhere have taken advantage of Guinea-Bissau's extreme poverty, unemployment, history of political instability, lack of effective customs and law enforcement, and general insecurity to transship drugs destined for consumer markets, mainly in Europe. The value of the illicit narcotics trade in Guinea-Bissau, one of the poorest countries in the world, is much greater than its legitimate national income. Using threats and bribes, drug traffickers have been able to infiltrate state structures and operate with impunity.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government on April 12, 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members. On April 8, 2010, the United States Department of the Treasury designated two Guinea-Bissau-based individuals, former Bissau-Guinean Navy Chief of Staff Jose Americo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara, as drug kingpins, thereby prohibiting U.S. persons from conducting financial or commercial transactions with those individuals and freezing any assets they may have under U.S. jurisdiction. The U.S. Drug Enforcement Administration arrested Na Tchuto in 2013. Combined with a police history of seizing only modest quantities of drugs in recent years, the 2013 arrest as well as the outstanding warrant against the then-head of the army underscore the extent of complicity with drug trafficking at the highest levels.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the informal and cash sectors in addition to the underground economy. The cohesion and effectiveness of the state itself remain very poor, despite the beginning of the new government's efforts to initiate reforms. Corruption is a major concern and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack the basic resources, such as electricity, they require to function.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

**KYC covered entities:** Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 1: May 2013 - November 2013

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

**STR covered entities:** Banks; microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, NGOs, and intermediaries such as lawyers, accountants, notaries, and broker/dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guine-Bissau.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Guinea-Bissau is not in full compliance with international standards and accords against money laundering and terrorism financing because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised; and the financial intelligence unit (FIU) is only partially functional, in part owing to the lack of resources, analytical staff, and proper office space. Guinea-Bissau has signaled its intention to adopt regulatory measures to implement the International Convention for the Suppression of the Financing of Terrorism, but has provided no specific timeframe for doing so.

The Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU), has been adopted by Guinea-Bissau, but its publication has been pending for several years; thus, the law is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of customer due diligence procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of

confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation.

Guinea-Bissau lacks a framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373. In 2013, the Bissau-Guinean Council of Ministers approved a bill, which was before Parliament as 2013 closed, to validate the Portuguese translation of WAEMU Regulation 14 on the freezing of assets; approved a decree to designate the Ministry of Finance as the competent authority for the freezing of assets, although as 2013 closed it was still awaiting presidential signature; and agreed to designate the Ministries of Finance, Justice, the Interior, and Foreign Affairs as the Inter-Ministerial Committee on Asset Freezing. The current status of these proposed actions is unknown.

Guinea-Bissau needs to implement the Anti-Money Laundering Uniform Law. Further, Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the AML/CFT threat. Guinea-Bissau should continue to work with its bilateral and regional partners to establish and implement an effective AML/CFT regime, including by criminalizing outstanding predicate offenses to ML, criminalizing the provision of funds to an individual terrorist without the commission of a terrorist act, examining the feasibility and usefulness of a currency transaction disclosure system, establishing border controls, and developing a national system for the compilation of comprehensive statistics. Guinea-Bissau also should ensure the sectors covered under the AML law have implementing regulations and competent supervisory authorities. It should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police, prosecutors, and judiciary to combat crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

## **Haiti**

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency. All property confiscations to date have involved significant drug traffickers convicted in the United States.

Foreign currencies comprised 56.9 percent of Haiti's bank deposits in September 2014, according to the Haitian Central Bank, down slightly from a year earlier.

The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed. Online gaming is illegal.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: NO Domestic: NO  
***KYC covered entities:*** Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 68: January 1 – November 21, 2014  
***Number of CTRs received and time frame:*** 83,632: January 1 - November 21, 2014  
***STR covered entities:*** Banks, cooperatives, credit unions, currency exchanges, money order businesses, insurance companies, casinos, real estate firms, and accounting firms

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

***Prosecutions:*** 0 in 2014  
***Convictions:*** 0 in 2014

***RECORDS EXCHANGE MECHANISM:***

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

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>

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

In the past year, the Government of Haiti took steps to implement a new AML/CFT regime based on legislation passed in 2013. The legislation expands the obligation of suspicious transaction reporting to non-financial businesses and professions, criminalizes terrorism financing, enables immediate freezing of assets of UN-designated groups or individuals, and

allows courts to order seizure of assets for any parties convicted of money laundering or terrorism financing. Implementation of the law is in its early stages.

The country's financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework, including analysis and investigation which led to the arrest of a prominent local businessman on drug trafficking and money laundering charges. Continued issues in the judicial sector, however, mean this progress is not yet reflected in conviction rates.

In May 2014, the Executive signed a long-delayed anti-corruption bill that imposes prison sentences of 3-15 years for a host of newly codified crimes, including bribery, embezzlement of public property, illegal procurements, and laundering of proceeds of crime. While implementation remains outstanding, the bill's passage after years of delay constitutes a strong positive step to try to address public corruption.

The FIU forwarded two cases to the judiciary in 2014. An investigating judge has two months from arrest to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data, meaning that investigations typically last at least a year.

Haiti should continue to devote resources to building an effective AML/CFT regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The 2013 AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. The government remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were approved by the Council of Ministers, but are now under review by a presidential commission; after the commission's approval, the codes will go to Parliament for approval. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments.

## **Hong Kong**

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of May 2014, Hong Kong's stock market was the world's sixth largest, with \$3.04 trillion in market capitalization. Already the world's eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating the equivalent of over \$122.8 billion in RMB-denominated deposits at authorized institutions as of September 2014. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including trade-based money



laundering. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks, securities and insurance entities, money service providers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 31,390: January 1 – October 31, 2014  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** All persons, irrespective of entity or amount of transaction involved

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

***Prosecutions:*** 194: January 1 - October 31, 2014  
***Convictions:*** 122: January 1 - October 31, 2014

***RECORDS EXCHANGE MECHANISM:***

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

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/hongkongcina/documents/mutualevaluationofhongkongchina.html>

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

A task force established in 2013 is to conduct a national AML/CFT risk assessment. Over the last two years, financial regulators, most notably the Hong Kong Monetary Authority, conducted

extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hong Kong should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering. The government should establish a cross-border currency reporting requirement. Hong Kong should also implement a mechanism whereby the government can return funds to identified victims once it confiscates criminally-derived proceeds.

## India

India is a regional economic power and financial center. Its economy has both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, onerous tax administration, and currency controls contribute to its vulnerability to economic crimes, including fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for narcotics trafficking. Proceeds from Indian-based heroin traffickers are widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

The high degree of corruption in Indian society both generates and conceals criminal proceeds. The most common money laundering methods include opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds; and companies use TBML to evade capital controls. Illicit funds are also sometimes laundered through real estate, educational programs, charities, and election campaigns. Laundered funds are derived from narcotics trafficking, trafficking in persons, and illegal trade, as well as tax avoidance and economic crimes. Counterfeit Indian currency is also a significant problem. Criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of terrorist groups, both foreign and domestic. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawalas and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs for sale in India purchased by India-based extremist elements from producers and/or trafficking groups in neighboring countries.

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of September 2014, there were 192 SEZs in operation, and 564 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 54,000: April 2013 - March 2014

***Number of CTRs received and time frame:*** 9,600,000: April 2013 - March 2014

***STR covered entities:*** Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers,

and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/india/>

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

Although India has taken steps to implement an effective AML/CFT regime, deficiencies remain. In 2012, the Government of India enacted amendments to the Prevention of Money Laundering Act (PMLA). While the amendments to the PMLA widen the definition of money laundering, the government has not changed its enforcement model. India also should address noted shortcomings in both the criminalization of money laundering and terrorism financing, and the domestic framework of confiscation and provisional measures. The government should ensure all relevant sectors of designated non-financial businesses and professions comply with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of November 2014, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while India has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels, and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups.

India is taking steps to increase financial inclusion through “small [banking] accounts” and the issuance of a biometric-enabled universal identification *aadhar* number, but should consider

further facilitating the development and expansion of alternative money transfer services in the financial sector, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. India should extend its safe harbor provision to also cover staff or employees of institutions.

## Indonesia

Indonesia is neither a regional financial center nor an offshore financial haven, but the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), a loose network of JI spin-off groups including Jemaah Anshorut Tauhid (JAT), and others.

Most money laundering in Indonesia is connected to non-drug criminal activity such as corruption, illegal logging, illegal sale of subsidized fuel, illegal wild animal trafficking, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, illegal gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong, yet embattled, Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

The FATF has included Indonesia in its Public Statement since February 2012, with the most recent statement issued October 24, 2014. While the FATF noted improvement in Indonesia's AML/CFT framework, Indonesia has failed to implement its action plan within the agreed upon timelines and lacks an adequate legal framework and procedures for identifying and freezing terrorist assets.

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

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

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination approach

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

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

*Enhanced due diligence procedures for PEPs:* **Foreign:** YES **Domestic:** YES

*KYC covered entities:* Banks; finance companies; insurance companies and brokers; pension fund financial institutions; securities companies; investment managers; providers of money remittance; and foreign currency traders

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 29,035: December 1, 2013 - September 30, 2014

*Number of CTRs received and time frame:* 1,534,758: December 1, 2013 - September 30, 2014

*STR covered entities:* Banks and financing companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services; money remitters and foreign currency changers (money traders); providers of payment cards, e-money, and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art and antiques; and auction houses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0: December 1, 2013 to September 30, 2014

*Convictions:* 24: December 1, 2013 to September 30, 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=3>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Indonesia’s financial intelligence unit, known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia’s AML regime. PPATK publishes detailed, lengthy reporting statistics on its website on a monthly basis.

Although Indonesia’s CFT legislation provides for the freezing of terrorist assets linked to the UN list of designated terrorists and terrorist organizations, Indonesia continues to lack an

effective mechanism to implement UNSCRs 1267 and 1373. A joint regulation drafted by an Indonesian Counterterrorism Task Force in order to address these concerns is currently under review by international experts. As of December 2014, Indonesia had frozen the assets of all UNSCR 1267/1989 listees but had not yet issued freeze orders for Taliban-related individuals and entities pursuant to UNSCR 1988. To be compliant with international standards and further develop its asset freezing regime, Indonesia must ensure freezing without delay under all relevant sanctions.

Since the CFT law's inception in March 2013, 15 terrorism finance cases have been brought to court. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions.

## Iran

Although not a global financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often, for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* have ties to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The FATF has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia, such as the Houthi group Ansarallah in Yemen, the Assad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

In recent years, the international presence of Iranian banks has diminished as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as in reaction to the FATF statements on Iran's lack of adequate AML/CFT controls. Iran has used its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. In March 2012, the Society of Worldwide Interbank Financial Telecommunication (SWIFT) removed Iranian financial institutions from its network, curtailing the institutions' ability to send and receive international wires, in order to comply with EU sanction violations. The United States has designated at least 20 Iranian banks and subsidiaries under counter-proliferation and terrorism authorities, and in a 2014 report, the UN also designated two banks.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** Not available

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: Not available Domestic: Not available

***KYC covered entities:*** All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

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

***STR covered entities:*** All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***



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

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG).

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

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks, located in Iran and overseas, designated in connection with Iran's proliferation activities (E.O. 13382); one state-owned Iranian bank (Bank Saderat and its foreign operations) designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

Additionally, Iran has been the subject of several UNSCRs and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation-sensitive nuclear activities. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 amending the Iran Sanctions Act of 1996, makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum or goods and services for Iran's refined petroleum sector.

In 2011, President Obama signed the National Defense Authorization Act for Fiscal Year 2012. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. The Iran Threat Reduction and Syria Human Rights Act of 2012 expands sanctions on Iran's energy sector and against human rights violators. These build upon the sanctions from previous U.S. legislation and UNSCRs.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2014, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to

give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2014 Public Statement, said it remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing, and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF and recent submission of information. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen countermeasures in February 2015.

## **Iraq**

Iraq's economy is primarily cash-based, and its financial sector is severely underdeveloped. Iraq has about 2,000 financial institutions, most of which are currency exchanges and hawalas. There is approximately one commercial bank branch for every 50,000 people, and ATMs are even less common. U.S. dollars are widely accepted. Due to weak supervision and regulation of banks and other financial institutions, there is little data available on the nature and extent of money laundering in the country. Iraqi law enforcement and bank supervisors have little recourse and poor capabilities to detect and halt illicit financial transactions. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Iraq lacks the capacity to adequately regulate these informal financial institutions.

Since June, when Iraq's ongoing conflict with the Islamic State of Iraq and the Levant (ISIL) escalated, it has been more difficult for the Government of Iraq to monitor AML/CFT in areas outside of central government control. This has created opportunities for ISIL and other groups to exploit the vulnerabilities in Iraq's inability to adequately monitor its entire financial system.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, as well as petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity by smuggling and illicitly trading crude oil and refined fuels. Bulk cash smuggling is likely common, in part because Iraqi law only allows for the seizure of funds at points of entry, such as border crossings and airports. Trafficking in persons, intellectual property rights violations, and currency counterfeiting also have been reported. Narcotics trafficking occurs on a small scale but is a growing concern to Iraqi authorities. Kidnappings for ransom are increasing, rising in tandem with violence levels. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive among the local, provincial, regional, and national government levels and is widely regarded as a cost of doing business in Iraq.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life

of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region.

On January 2, 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that replaces the across-the-board five percent tariff rate enacted a decade ago by the Coalition Provisional Authority, with a much broader scale of some lower, and mostly higher tariff rates. The government has stated it intends to fully implement the 2010 tariff law in phases, but it has not decided their timing or details. Implementation thus far has been inconsistent and variable. The Kurdistan Regional Government (KRG) applies the new tariff regime as well.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

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

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

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

***KYC covered entities:*** Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4 in 2013

***Number of CTRs received and time frame:*** 1,320 in 2011

***STR covered entities:*** Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

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

***Prosecutions:*** 3 in 2012

***Convictions:*** 3 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: [http://www.menafatf.org/images/UploadFiles/Final\\_Iraq\\_MER\\_En\\_31\\_12.pdf](http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf)

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

Iraq's ability to detect and prevent money laundering and other financial crimes is limited by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community and regional financial intelligence units.

Iraq's Anti-Money Laundering Law, issued under Coalition Provisional Authority Order 93 in 2004, is the only AML statute in Iraq. The penalty under the 2004 law is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. Iraqi law treats money laundering as a subsidiary crime, requiring a more serious predicate crime to also have occurred before the government can prosecute money laundering offenses. Iraq has drafted AML legislation that was reviewed by Iraq's Shura Council, but international experts have assessed the current draft law does not meet international standards. In particular, the law needs to do more to ensure the independence of Iraq's Money Laundering Reporting Office (MLRO), Iraq's financial intelligence unit. In 2014, the government continued to review and amend the draft law, aiming to bring it in line with international standards. Once revisions to the draft are completed, the law will be submitted to the Council of Ministers for approval, followed by the Council of Representatives for passage. The government is unable to provide a timetable for the passage of the AML/CFT law.

In 2013, Iraq formed a high-level committee chaired by then acting Governor of the Central Bank of Iraq (CBI) Abdulbasit Turki to follow up on noted deficiencies; however, the committee made little progress. In September 2014, Ali al-Allaq replaced Turki as acting CBI Governor. Allaq is focused on anti-corruption efforts, which he promoted in his previous positions as Secretary General of the Council of Ministers and chairman of the Joint Anti-Corruption Council.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Iraq reportedly has one judge assigned to process all money laundering cases, and that judge does not exclusively focus on money laundering. In addition, the current lack of implementing legislation, weak compliance enforcement, and the need for more technical capacity at the CBI's MLRO all undermine Iraq's ability to counter terrorism financing and money laundering.

Although former acting CBI Governor Turki approved an independent budget for the MLRO, it does not yet have sufficient operational independence and autonomy. Overseen by the CBI's Banking & Supervision directorate, the MLRO lacks the requisite organizational structure, funding, staffing, and technology to effectively perform its function. The MLRO staff lacks

adequate AML training and technology to receive, store, retrieve, and analyze data from the reporting institutions. In 2014, the MLRO transitioned from manual data processing to electronic reporting.

The MLRO is empowered to exchange information with other Iraqi and foreign government agencies, but rarely does so. Legal constraints on the MLRO's purview hinder its cooperation with the Ministry of the Interior's (MOI) Directorate for Economic Crimes, which is responsible for investigating financial crimes, including money laundering, bulk cash smuggling, and counterfeiting. The MLRO lacks the investigative authority of the MOI, but the MOI is unable to prosecute money laundering crimes without the MLRO's cooperation. Iraq should ensure the MLRO has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are limited, and enforcement is subject to political constraints. In practice, despite customer due diligence (CDD) requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely across Iraq's seven state-owned and 48 private Iraqi and foreign banks. Banks are required to file reports with the MLRO for transactions greater than \$10,000, a requirement with which banks generally comply. In practice, very few STRs are filed. Due to a weak institutional culture and the lack of robust penalties for noncompliance, banks often are unmotivated to file reports and sometimes conduct internal investigations in lieu of reporting to the MLRO. Iraqi authorities should encourage increased reporting by financial institutions through more in-depth onsite supervision as well as an increase in the penalties levied for noncompliance.

Greater overall coordination between the Iraqi government and the KRG is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. KRG officials report they are abiding by Iraq's AML law, but there are no efforts to coordinate with the central government. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into southern Iraq.

Although Iraq is a party to the UN Convention for the Suppression of the Financing of Terrorism, there is no formal mechanism in place to implement UNSCR 1267 and no legal mechanism to implement UNSCR 1373. Iraq should take steps to establish appropriate mechanisms. Iraq also should develop political support to create and safeguard the MLRO's independence in order to bolster Iraq's AML/CFT capacities.

## **Isle of Man**

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high-technology companies and financial institutions that locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and

narcotics trafficking in other jurisdictions, including the UK. Identity theft and internet abuse are growing segments of financial crime activity.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio, and asset managers; estate agents; auditors, accountants, lawyers, and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,539 in 2013  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** All businesses

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

***Prosecutions:*** 61 in 2012  
***Convictions:*** 37 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

Compliance with international standards was evaluated by the International Monetary Fund's Financial Sector Assessment Program. The report can be found at:  
<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

The Isle of Man now formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). MONEYVAL has not yet evaluated the IOM.

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

Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM.

A new Money Laundering and Terrorist Financing Code came into effect on May 1, 2013. The main purpose of the new code is to integrate the Proceeds of Crime (Money Laundering) Code 2010 and the Prevention of Terrorist Financing Code 2011. A separate code went into effect covering online gaming on the same date. The Isle of Man has proposed a new Anti-Money Laundering and Countering Terrorist Financing Code, which is slated to be implemented in the first quarter of 2015.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include the IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM in 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

**Israel**

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel more a transit country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: NO  
***KYC covered entities:*** Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 47,856: January 1 - November 4, 2014  
***Number of CTRs received and time frame:*** 1,334,236: January 1 - November 4, 2014  
***STR covered entities:*** Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses, and the Postal Bank

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

***Prosecutions:*** 60: January - November 2014  
***Convictions:*** 21: January - November 2014

***RECORDS EXCHANGE MECHANISM:***

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

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

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp)

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

Money service businesses will be required to implement customer due diligence (CDD) requirements as of March 20, 2015. As of July 15, 2015, dealers in precious stones will be subject to CDD requirements and, as of July 15, 2016, to suspicious transaction reporting (STR) requirements. Per an Order enacted by the Ministry of Justice on November 17, 2014, lawyers and accountants will be subject to CDD requirements as of September 2, 2015.

In fall 2014, the Government of Israel established an interagency group tasked with promoting advanced electronic means of payment as a means of reducing the overall supply of currency in



circulation as part of an effort to combat both counterfeiting and money laundering activity. The team includes representatives from the Bank of Israel, the Prime Minister's Office, the Ministry of Finance, the Israel National Police, the Israel Tax Authority, the Israel Antitrust Authority, the National Cyber Bureau, the Israel Money Laundering and Terror Financing Prohibition Authority, and the National Information Security Authority. Following testimony from both public entities and the private sector, the team will report on its recommendations in June 2015.

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

## Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Mafia, operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, corruption, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. Italy's total black market is equal to 12.4 percent of GDP and worth \$250 billion. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest component of this black market is undeclared income, off-book transactions, or other tax evasion connected with otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore. Bulk cash smuggling has become less common, as the physical transfer of tangible currency is increasingly replaced by wire transfers, debit cards, cash transfer houses, and black market currency exchanges.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN***

***THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civily:* YES

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO  
*KYC covered entities:* Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 37,632: January 1 – June 30, 2014  
*Number of CTRs received and time frame:* 147,242,000: January 1 – June 30, 2014  
*STR covered entities:* Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

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

*Prosecutions:* 53: January 1 – October 31, 2013  
*Convictions:* 29 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

Italy is a member of the FATF. Its most recent mutual evaluation can be found at:  
<http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html>

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

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government’s fight against organized crime is ongoing.

In June 2013, Italy published its action plan to address the issue of beneficial ownership and committed to take a number of actions in order to enhance the transparency of companies and trusts. The Ministry of Finance and Economy (MEF) issued guidance for financial institutions and designated non-financial businesses and professions (DNFBPs) on the identification of non-EU jurisdictions that have introduced requirements equivalent to those mandated in the EU. The MEF and Italy's financial intelligence unit, the Financial Information Unit (FIU), issued implementing provisions on how obligated entities should handle the termination of business relationships when the required customer due diligence (CDD) measures cannot be completed. The regulations ensure the money trail is not lost in these cases and that suspicious transactions are properly reported to the FIU.

The Bank of Italy (BOI) issued the Instructions on Customer Due Diligence measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. The instructions provide guidance for proper identification and verification of customers and their beneficial owner(s), and for the implementation of an appropriate risk management system. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs). The BOI also adopted the Instructions on the Electronic Data Base, requiring banks and other financial intermediaries to maintain data in order to register all business relationships and relevant transactions. Following a proposal by the FIU, the BOI issued indicators of anomalies for auditing firms and auditors who are responsible for statutory audits of entities of public interest, as defined by Article 16 of Legislative Degree 30 of 2010. They include, among others, banks, insurance companies, companies involved with asset management or issuance of financial instruments, electronic money institutions, financial intermediaries, management companies of regulated markets, and securities trading companies.

Although several actions taken in recent years endeavored to increase the number of suspicious transaction reports (STRs) filed by DNFBPs, these entities continue to file less than one percent of the STRs. Italy should continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers.

As in previous years, in 2014, the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. The Central Directorate for Anti-Drug Services, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police (INP), also plays a central role in these efforts. With regard to countering organized crime, the INP's internal *Servizio Centrale Operativo* (SCO) division has the law enforcement lead. The SCO, with direction from the associated magistrates, focuses heavily on money laundering in terms of asset identification, seizure, and forfeiture.

## Japan

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japan's organized crime

groups, Mexican drug trafficking organizations, and other domestic and international criminal elements. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 349,361 in 2013

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

***STR covered entities:*** Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

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

***Prosecutions:*** 142 in 2013

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Japan is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Japan's compliance with international standards specific to financial institutions was notably deficient until recently. On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation that address recognized deficiencies. The recent legislation criminalizes the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; and it enables the freezing of terrorist assets without delay, including non-financial holdings. In addition, financial and non-financial sectors will be required to implement processes and procedures to perform enhanced customer due diligence.

Japan's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low. These numbers are the most telling measures of effectiveness of a country's AML/CFT regime. The National Police Agency (NPA) provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters.

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

**Jersey**

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is constitutionally responsible for Jersey's defense and international representation, while the Island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector. Jersey can negotiate international agreements within the parameters of Letters of Entrustment provided by the UK Government, and enter into such agreements in its own name, albeit that the UK remains ultimately responsible in international law for such agreements.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar and its regulated trust and company service providers, which can be readily accessed by law enforcement and tax authorities. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: NO  
***KYC covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,632 in 2014  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

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

***Prosecutions:*** 0 in 2014

*Convictions:* 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

In lieu of a mutual evaluation, a report was prepared by the IMF's Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Under Jersey law, the Minister for External Relations (MER) has the power to give a direction to a relevant person to require that person to undertake enhanced customer due diligence (CDD) measures, provide information and documents, or limit or cease a business relationship if one or more of the following conditions are met in relation to a country or territory outside Jersey: the FATF advises there is a risk of money laundering or terrorism financing in a country or territory; the MER reasonably believes there is a risk of money laundering or terrorism financing in a country or territory, by the government of a country or territory, or by persons resident or incorporated in a country or territory, that poses a significant risk to Jersey; the MER believes the development or production of weapons in a country or territory, or anything that facilitates such development or production, poses a significant risk to Jersey.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead, in accordance with its laws, it is able to provide mutual legal assistance to any jurisdiction, including the United States. The United States and Jersey maintain a "special relationship" that includes a reporting regime based on the Foreign Account Tax Compliance Act (FATCA).

Under the Terrorist Asset Freezing (Jersey) Law 2011 a person designated by a European Council Regulation or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes. In addition, a person may be designated if the Jersey Minister for External Relations reasonably suspects that the person is, has been involved in, or is connected with terrorist activity.

More recently, the Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014 came into force on August 4, 2014. The Law brings all of the provisions relating to the laundering of criminal proceeds, including the restraint and confiscation of such proceeds, into one law (the Proceeds of Crime (Jersey) Law 1999); addresses noted technical deficiencies; and aligns specific provisions with requirements of the UN Convention against Transnational Organized Crime and the Council of Europe Convention 141 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, to allow for these conventions to be extended to Jersey.

The key rationale for creating one consolidated set of AML provisions is that, under the former provisions, the prosecuting authorities had to establish at any early stage whether the powers of Jersey's drug trafficking, terrorism, or criminal proceeds law should be used during an investigation. In the early stages of an investigation, there may not have been sufficient evidence

to establish which of these laws should be applied to the proceeds of criminal conduct, yet a decision had to be made as to which of the three laws' powers would be exercised. In addition to these practical issues, previous money laundering offenses varied in scope and material elements across the three laws. The prosecuting authorities also believed the previous money laundering offenses were too numerous and specific. The decision was made to produce a single statute which addresses the requirements of the jurisdiction more effectively.

Jersey authorities continue to indicate concern regarding the incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes.

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the UK's ratification of any international instrument to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK is in the process of extending the UN Convention against Transnational Organized Crime to Jersey.

Where reliance is placed by a covered entity on identification measures already performed by a third party on a prospective customer (in accordance with criteria established in legislation), Jersey requires that covered entity to obtain all necessary CDD information from the third party before the beginning of the business relationship with the customer. However, simplified identification measures (in accordance with criteria established in legislation) may be applied to a customer that is acting on behalf of one or more third parties. Jersey authorities should explicitly require that all covered entities obtain all necessary CDD information from the intermediary at the beginning of a relationship and should consider requiring covered entities to perform spot-testing of an intermediary's performance of CDD obligations. Jersey's authorities are consulting on a change to CDD requirements that would strengthen due diligence obligations for foundations.

## **Kenya**

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Money laundering and terrorism financing activity occur in both the formal and informal sectors, and derives from both domestic and foreign criminal activity. Such activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

Kenya's financial sector supports 43 licensed commercial banks, many with branches throughout East Africa; nine deposit-taking microfinance institutions in Kenya, with 69 branches; 91 licensed Forex Bureaus, with Nairobi hosting 75 bureaus and Mombasa nine; and one mortgage



finance company. Kenya holds more than half of the total bank assets in the region, which has grown to \$52 billion in 2013, up from \$45.2 billion in 2012.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving, informal, and unregulated networks of hawaladars and other remittance systems that facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, and in particular the large ethnic Somali resident and refugee populations, primarily use hawaladars to send and receive remittances internationally. Diaspora remittances are growing annually, contributing significantly to the country's foreign exchange inflows. There are now nine licensed money remittance providers in Kenya, all located in Nairobi. Remittances in 2013 totaled \$1.3 billion and are already at \$1.1 billion through September 2014, with North America providing between 45-50 percent of all remittances, and with Europe and the "rest of the world" each providing approximately 25 percent.

The Communications Authority of Kenya (CAK) reports that Kenya's telecommunications sector enjoys 79.2 percent mobile phone penetration and supports 32.2 million mobile phone subscriptions. The CAK also reports there are 22.3 million internet users, raising the percentage of the population that has access to the internet to 54.8 percent. There are approximately 121,000 mobile-money agents in Kenya. Through August 2014, \$1.7 billion moved through Kenya's mobile-money systems.

Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in improving internal monitoring and collection procedures. There is a black market for smuggled and grey market goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods are often sold in Kenya. Trade goods often are used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an obvious and attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for al-Shabaab, a UN- and U.S.-designated group.

The FATF first included Kenya in its Public Statement in February 2010. In February 2014, the FATF removed Kenya from its Public Statement in recognition of the significant progress Kenya has made in addressing its strategic AML/CFT deficiencies.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN***

**THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES**

**CRIMINALIZATION OF MONEY LAUNDERING:**

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
**KYC covered entities:** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 201: January - November 2014

*Number of CTRs received and time frame:* 2,825: January – November 2014

**STR covered entities:** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* One in 2014

*Convictions:* 0

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: [http://www.esaamlg.org/reports/view\\_me.php?id=228](http://www.esaamlg.org/reports/view_me.php?id=228)

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

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions; however, the POCAMLA has never been used to prosecute financial crimes. The Central Bank of Kenya (CBK) licensed the first money remittance provider in November 2013, following its issuance of the Money Remittance Regulations, 2013, in April 2013. In addition, Kenya's National Payment System Act is now in force. This Act, which among other things provides regulation over mobile money, is another important component of Kenya's move toward financial integrity and security. Regulations attendant to the POCAMLA, Supplement No. 521 of 2013, require covered entities to file currency transaction reports (CTRs).

Of the 345 STRs submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 85 have been disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance.

All cell phone devices must be registered, and all mobile-money accounts also must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult, although data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of regulation/supervision of this sector, coupled with a lack of reporting from certain reporting entities, contribute to the risks posed by this sector. The CBK's strategy to increase financial integrity through increasing financial inclusion, and its associated regulatory interventions, has led to an increase in formal sector financial inclusion from 41 percent in 2006 to 67 percent in 2013.

To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, meaning that account holders are often tipped off about such investigations and so are able to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The government, and especially the police, must allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya also must address the bureaucratic impediments preventing it from pursuing investigation and prosecution of these crimes. Until 2013, Kenya had only 74 public prosecutors; however, the ODPP has greatly expanded and now has 605 prosecutors. The ODPP is organized into four broad thematic departments, with the Department of Economic International and Emerging Crimes (DEIEC) responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, piracy, and terrorism cases. In order to streamline proceedings and enhance professionalism as well as develop expertise in its prosecutions, the DEIEC is divided into various thematic divisions, with the AML/CFT division, formed on July

18, 2014, and headed by the Senior Assistant Director of Public Prosecutions, specifically dealing with money laundering and terrorism financing offenses. The AML/CFT division is made up of 18 Prosecution Counsels from the Nairobi office, complemented by eight Prosecution Counsels from county offices. In 2014, nine money laundering cases were forwarded to the ODPP, four of which were closed and five of which are still pending.

The POCAMLA provides legal mechanisms to freeze, seize, and confiscate the proceeds of crime; however, this aspect of the law has not yet been used. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act. The Asset Recovery Agency, a semi-autonomous body based in the Attorney General's office, is now staffed and leading an interagency Asset Recovery Task Force.

The 2013 Westgate Mall attack, which resulted in the first cases being charged under Kenya's Prevention of Terrorism Act (POTA), demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors continuing to develop their expertise to investigate and charge high impact cases, including terrorism financing and money laundering offenses, and to pursue related asset recovery. Kenya passed the Finance Act of 2013, which includes amendments to the POTA, to include expanding the scope of Kenya's criminalization of terrorism financing. In November 2013, Kenya issued regulations to implement the POTA, and therefore, its obligations pursuant to UNSCRs 1267 and 1373. With this law, Kenya has taken significant steps toward improving its compliance with international standards.

## Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by almost 15 percent, comprising 49.8 percent of total bank deposits. Non-resident cash continues to flow across the border from neighboring Russia and former Soviet states. Latvia's geographic location, large untaxed shadow economy (approximately 24 percent of the overall economy), and public corruption make it challenging to combat money laundering.

Officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution and fraud perpetrated by Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies monitor financial transactions to identify instances of terrorism financing.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the official financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The

zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO  
***KYC covered entities:*** Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any high-value goods merchant, intermediary, or service provider

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4,299: January 1 - June 30, 2014  
***Number of CTRs received and time frame:*** 3,590: January 1 - June 30, 2014  
***STR covered entities:*** Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any high-value goods merchant, intermediary, or service provider; and public institutions

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

***Prosecutions:*** 10: January 1 - September 30, 2014  
***Convictions:*** 6: January 1 - September 30, 2014

***RECORDS EXCHANGE MECHANISM:***

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

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

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp)

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

In 2014, Latvia joined the Eurozone bloc. On August 13, 2014, the Latvian Parliament acted to enhance the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments are largely minor changes in legal definitions or procedural norms in order to ensure consistency and compliance with international standards.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The Financial and Capital Market Commission (FCMC) reports it is awaiting final approval of European Parliament regulations, providing that the rules on PEPs be extended to domestic PEPs, in order to pursue Latvian legislation in line with those regulations.

On May 31, 2013, at the request of the Bureau to Prevent and Combat Corruption Prevention (KNAB), the Prosecutor General's Office (PGO) brought criminal charges against former Riga City Council Housing and Environment Department Chief Arija Stabina for accepting bribes. KNAB arrested seven people, including Stabina and two other Riga City Council employees. KNAB has accused the Riga City Council officials of accepting bribes from residents in exchange for placement in municipal housing. Stabina was released on bail, but since June 2013, authorities have been unable to locate her. On July 22, 2013, the PGO issued a European Arrest Warrant for Stabina. On June 12, 2014, the PGO reported that Stabina's case has supported several other criminal cases, in which six people have been convicted of bribery, bribery support, and bribery appropriation.

During 2014, KNAB initiated additional high profile investigations against government officials. In April, KNAB started an investigation for bribery against the Riga City Council Cemetery Administration Chief. On November 10, KNAB had enough evidence and requested the PGO to bring criminal charges against him. On November 12, KNAB passed to the PGO materials to bring criminal charges against seven people for bribery of state officials, misuse of authority for personal enrichment and fraud in the amount of 850,000 euros (\$1.06 million). Also on November 12, KNAB officers detained a Riga Regional Court (RRC) Civil Cases Panel judge after searching RRC offices. On November 14, the judge was declared a suspect in a criminal case. KNAB's investigation is ongoing; no criminal charges have been brought to date.

Latvian banks continue to invest substantially in their IT systems to develop programs for identifying suspicious activities, especially with regard to high-risk clients. The FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes.

### **Lebanon**

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorism financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.3 billion annually over the last four years. Media reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered proceeds come primarily from cybercrime money laundering operations and from Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked more than 50 cases of hackers located in Lebanon or abroad and who transferred funds embezzled from local depositors (totaling approximately \$18 million) to bank accounts located outside Lebanon, namely in the UK, Hong Kong, Malaysia, China, and the Philippines. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, and pirated software, CDs, and DVDs. Nevertheless, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities, including the trafficking of conflict diamonds, diamond trade fraud (circumventing the Kimberley process), and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, but the Bank of Lebanon (Lebanon's central bank) has strong regulations in place to regulate exchange houses. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO  
*KYC covered entities:* Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 148: January - October 2014  
*Number of CTRs received and time frame:* 18: January - October 2014  
*STR covered entities:* Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 9: January - October 2014  
*Convictions:* 0

**RECORDS EXCHANGE MECHANISM:**

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

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Three proposed laws intended to strengthen Lebanon’s AML/CFT regime were passed by the Council of Ministers on March 14, 2012, and, as of the end of 2014, are still awaiting Parliament’s approval. These include amendments to the existing AML law (Law 318/2001); new legislation requiring the declaration of cross-border transportation of cash; and new legislation on the exchange of tax information, which would authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

In 2014, the Bank of Lebanon issued circulars to improve its AML/CFT regime. These include Intermediate Circular No. 371, dated September 11, 2014, amending Basic Circular No. 83, requiring banks to establish an AML/CFT Branch Officer in each branch of a bank as well as to set up two departments within an individual bank’s compliance unit, one to oversee main headquarters and branches in Beirut, and the other to oversee the remaining branches across Lebanon; and Special Investigation Commission (SIC) Circular No.17 dated September 16, 2014, requesting banks to report suspicious transactions electronically to the SIC, Lebanon’s financial intelligence unit, through “E-STR” in order to improve the quality of suspicious



transaction reports (STRs). Despite no requirement to file currency transaction reports (CTRs) with the SIC 18 such reports were filed voluntarily.

The SIC sent 16 allegations to the Office of the Prosecutor General for prosecution between January and October 2014. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, prosecutions and convictions are still lacking. In addition, Lebanese authorities need to place greater emphasis on proactive targeting and not simply rely on STRs filed by financial institutions as a trigger to initiate investigations. This deficiency could be attributable to the absence of laws and a lack of political will to effectively prosecute cases, or a lack of resources and familiarity with AML/CFT standards. Customs must inform the SIC of suspected TBML or terrorist financing; however, high levels of corruption within Customs make this problematic. Existing safeguards do not address the laundering of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies. In 2014, the SIC froze the accounts of a business group and of its owners on suspicion of money laundering, with the investigation still on-going.

From January 1, 2014 to November 10, 2014, the ISF received 32 allegations of money laundering from Interpol and 14 requests from the SIC, and has arrested two persons and prepared files on 10 suspected cases of money laundering. The ISF is in the process of investigating each of these cases. The ISF Money Laundering Repression Office staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software to effectively track cases. Likewise, the ISF Cybercrime Unit also needs equipment and software to better monitor social media and detect cybercrimes. Additionally, law enforcement entities often do not coordinate activities. The government should encourage more efficient cooperation among financial investigators, including the development of joint task forces, and with other relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. There also should be greater cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce cross-border currency reporting and take action to immobilize bearer shares. Law enforcement authorities should examine domestic ties with the international network of Lebanese brokers and traders. Lebanon also should consider amending its legislation to improve the ability of the government to cooperate with international forfeiture actions and also provide legal authority for the return of fraudulent proceeds. Lebanon's parliament should enact the three proposed laws designed to strengthen Lebanon's AML/CFT regime. Finally, Lebanon should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

## **Liechtenstein**

The Principality of Liechtenstein is the richest country on earth on a per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of strict bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both

licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 120 fund/asset management companies, 367 trust companies, 22 insurance companies, 50 insurance intermediaries, and 403 other financial intermediaries. The three largest banks in Liechtenstein manage 85 percent of the country's \$125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection.

In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein has recently renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases. On October 29, 2014, Liechtenstein also signed the OECD Multilateral Competent Authority Agreement, which will activate automatic exchange of information based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

There are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 293 in 2013  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate

companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

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

*Prosecutions:* 55 in 2013

*Convictions:* 0 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

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

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp)

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

The 2013 reporting year saw a slight decline of STRs, down by 8 percent compared to 2012. Forty-five percent of the STRs were for suspected fraud, 15 percent for money laundering (a rise from last year), and 40 percent enumerated other offenses. In 2012, 62 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of \$28 million of assets were frozen in 2013.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there has been only one domestic money laundering conviction since 2007.

## **Luxembourg**

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Luxembourg has been called a “magical fairyland” for well-known corporations that seek to drastically minimize their tax bills. Abusive transfer pricing or the manipulation of the international trading system within the same multinational group to take advantage of lower jurisdictional tax rates represents enormous tax loss in the producing country. Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In many cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

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

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

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

***KYC covered entities:*** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 6,676: January 1 - November 30, 2014

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

**STR covered entities:** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 230: January 1 - December 1, 2014

**Convictions:** 167: January 1 - December 1, 2014

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/luxembourg/documents/fur-luxembourg-2014.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

During 2014, Luxembourg continued to strengthen its AML/CFT framework. Accordingly, a range of legislative and implementation measures were taken by competent authorities in the AML/CFT area. The Law of 18 July 2014 *approving the Council of Europe Convention on Cybercrime of 23 November 2001 and its Protocol concerning the criminalization of acts of a racist and xenophobic nature committed through computer systems of 28 January 2003* implements both the Convention and its Protocol into national law. The law introduces new criminal offenses in the area of cybercrime in the Criminal Code. The law also introduces an extension of the money laundering offense to the area of cybercrime. The Law of 28 July 2014 *regarding the immobilization of bearer shares* provides for the mandatory immobilization of bearer shares. The law requires the mandatory immobilization of bearer shares with a covered entity. The obligations set forth in the Law of 28 July 2014 are subject to criminal sanctions.

In 2014, the Supervisory Authority of the Financial Sector, the CSSF, focused its efforts on further strengthening its AML/CFT supervision. The CSSF conducted 41 onsite AML/CFT inspections in 2014. The measures taken within the scope of its supervisory powers include administrative financial sanctions, injunction orders, and refusal/withdrawal of the “fit and properness” character of a licensed person. The CSSF also increased its cooperation and

information exchange with the Office of the Public Prosecutor, the financial intelligence unit (FIU), and the criminal investigation police, as well as with the other supervisory authorities.

The Supervisory Authority of the Insurance Sector, the CAA, issued CAA Regulation no. 13/01 on December 23, 2013 *regarding the fight against AML/CFT*, which came into full effect in 2014. The regulation provides further clarification of AML/CFT requirements contained in the AML/CFT Law and the related Grand-Ducal Regulation, in particular with respect to the definition of the beneficial owner and ML/TF risk assessment. It also addresses preventive measures.

In 2014, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations, adopted several circular letters regulating its supervised entities, including accountants, economic advisers, real estate agents, and dealers in high-value goods. AIT teams conducted 48 AML/CFT onsite inspections of its supervised entities and improved its webpage to add more AML/CFT material. The AIT also took measures within the scope of its supervisory powers, such as administrative financial sanctions.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. The FIU continues to be involved in a project to promote cooperation among European FIUs regarding the cross-border exchange of STRs related to electronic commerce.

## Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With estimated gaming revenues just under \$45 billion for 2014, Macau is the world's largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from Mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the Mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 1,376: January 1 - September 30, 2014  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* All persons, irrespective of entity or amount of transaction involved

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

*Prosecutions:* 0: January 1 - September 30, 2014  
*Convictions:* 0: January 1 - September 30, 2014

***RECORDS EXCHANGE MECHANISM:***

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

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=5>

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

Macau continues to make considerable efforts to develop an AML/CFT framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with 11 foreign counterpart FIUs.

Nevertheless, important deficiencies remain. Legislation that would strengthen Macau's customer due diligence requirements is pending, as is legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence for non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

## **Mexico**

Mexico is a major drug producing and transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce to conceal illicit transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remains a commonly employed money laundering technique. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations on trade-based methods, particularly after Mexico put restrictions on U.S. dollar deposits. For example, checks and wires from so-called "funnel accounts" are used by Mexico-based money "brokers" to acquire goods which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. The combination of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures.

In 2010, the Government of Mexico implemented regulations limiting the amount of U.S. cash accepted for deposit. These measures substantially reduced the amount of money repatriated back to the United States via the formal financial system. Subsequently, in June 2014, Mexico revised the U.S. dollar restrictions. The impact of the revision is to be determined.



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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES

***KYC covered entities:*** Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations (NPOs), armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 86,293: January 2014 - September 2014

***Number of CTRs received and time frame:*** 5,000,000: January 2014 - September 2014

***STR covered entities:*** Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, NPOs, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

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

***Prosecutions:*** Not available

***Convictions:*** 15 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

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

Mexico is a member of both the FATF and the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>

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

In 2014, in an effort to boost economic growth, the Secretariat of Credit and Public Debt decided to revisit the 2010 regulation placing limits on the amount of U.S. dollar cash deposits that could be made into banks in border areas. The original intent of the 2010 regulation was to keep illicit cash proceeds smuggled from the U.S. out of the Mexican banking system. The regulations stated banks could not accept more than \$4,000 per month from individual account holders or more than \$14,000 from business entities operating in the U.S. border region or defined tourist areas. The 2014 modifications allow border- and tourist-area businesses to exceed the \$14,000 per month U.S. dollar cash deposit limit provided they have been operating for at least three years; provide additional information to financial institutions justifying the need to conduct transactions in U.S. currency; and provide three years of financial statements and tax returns. The limit on individual account holders remains unchanged. The additional information required, which can be shared with U.S. banks, could enhance the ability of the UIF, Mexico's financial intelligence unit, to monitor U.S. currency transactions as more U.S. dollars will enter the banking system instead of being diverted to less-regulated, non-bank financial institutions.

On March 5, 2014, the government enacted article 421 of the new National Code of Criminal Procedures that covers liability for legal persons. Mexico is converting from 32 codes to one federal code. Implementation of the new code is a large task and will be ongoing through 2016.

The October 2012 Federal Law on the Prevention and Identification of Illicit Financial Operations greatly expands the number of financial and designated non-financial entities required to submit reporting on financial transactions and apply KYC programs. The law also requires cash intensive businesses to apply restrictions to cash transactions and bans the use of cash for transactions over set amounts. The law is facing a barrage of legal challenges from businesses now confronted with additional legal and compliance obligations. The legal challenges, over 300 cases, may reach Mexico's Supreme Court, but the regulations and reporting requirements included within the law likely will be upheld, according to local experts.

In Mexico, the UIF, the National Banking and Securities Commission, and the Attorney General's Office are the main agencies involved in regulating and combating money laundering. In January 2014, the head of the UIF disseminated a resolution outlining its power to order reporting entities to freeze the assets of designated persons and entities, namely those involved in money laundering, terrorism, or terrorist financing. These rules establish the mechanism contemplated in the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds, passed in 2013.

In 2014, a major trade-based money laundering case involving the Los Angeles garment district once again demonstrated that Mexican-based drug cartels are using both legitimate businesses and front companies to provide value transfer via the export of goods to Mexico in a variation of the black market peso exchange. The fraud also saves the conspirators from paying taxes on the imports because they are exempt from customs duties under the North American Free Trade Act.

Corruption is the enabler of money laundering and its predicate offenses. Corruption is endemic at all levels of Mexican society and government. The Government of Mexico should combat corruption.

## Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although few border controls exist within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO  
***KYC covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administrative companies, and electronic money institutions

### ***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 25,321 in 2013

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

***STR covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies, and taxation offices

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/fur-netherlands-2014.html>

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

The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML/CFT regime.

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears “unusual” (applying a broader standard than “suspicious”), or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a STR. There were 202,164 UTRs filed in 2013.

After consideration, the Netherlands has decided not to require all covered entities to report all transactions in currency above a fixed threshold but, instead, limits reporting to certain defined transactions and sectors. Based on previous experience, and particularly a EUR 15,000 threshold for car dealers which prompted too many UTRs, it was decided to establish thresholds targeted to specific risks and products.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the National Police’s 2013 reorganization, scheduled for completion in 2016, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. A newly established Anti-Money Laundering Center combines expertise from government agencies, such as the FIU, the National Police, and the Food Authority; knowledge institutions; private sector partners; and international organizations.

On November 18, 2014, Parliament passed legislation that raises the maximum penalty for certain financial-economic crimes. The law will raise the maximum prison sentence for money laundering from four to six years, and will broaden the scope of corruption to include bribery of financial service providers.

## Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive largely from foreign drug trafficking and criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from the sale of illicit drugs.

Proceeds from illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, also constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. A recent FBI report estimates \$12.7 billion in losses to financial fraud in West Africa, much of which is attributed to Nigeria.

Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercrime in Nigeria is becoming more sophisticated. Nigerian cybercriminals have not traditionally employed sophisticated hacking/exploit techniques to conduct their crimes, rather, they have relied on social engineering. In recent years, however, there has been an increase in the use of sophisticated techniques, such as e-mail hacking, intrusions, and the use of social media. There also have been a number of recent cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted distributed denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

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

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

**CRIMINALIZATION OF MONEY LAUNDERING:**

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

*KYC covered entities:* Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 722: January 1 – September 30, 2014

*Number of CTRs received and time frame:* 3,878,984: January 1 – September 30, 2014

*STR covered entities:* Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 0: January 1 – September 30, 2014

*Convictions:* 0: January 1 – September 30, 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

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

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2014, Nigerian authorities continued to work to address strategic deficiencies in the country's AML/CFT regime. Notably, the Nigerian Financial Intelligence Agency (Establishment, etc.) Bill 2013, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, as opposed to a subsection of the Economic and Financial Crimes Commission, (EFCC),

passed its second reading before the Nigerian Senate and went before the House of Representatives for consideration and harmonization of the different versions, with a goal of onward transmission to the president for assent.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities. However, the sheer volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Pervasive corruption, a lack of investigative capacity, inadequate legislative authority, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure; and, in accordance with international standards, should support the operational autonomy of its FIU. The government also should ensure the confidentiality of information the FIU collects or acquires. Additionally, Nigeria should strengthen its supervision of designated non-financial businesses and professions, work to thwart corruption at all levels of government, and make every effort to ensure the agencies that pursue money laundering-related and asset recovery cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases. Moreover, Nigeria should ensure it implements effective legislation to ensure the efficient recovery of criminal proceeds, especially in circumstances where an offender cannot be prosecuted by virtue of flight, immunity, or death. Particularly, the National Assembly should adopt a non-conviction-based asset forfeiture bill.

More generally, Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinder the government's efforts to combat money laundering. This issue is especially important with regard to CFT. The State Security Service (SSS), a.k.a. the Department of State Services (DSS), is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general questions as to the role of the SSS/DSS versus that of the EFCC in the investigation of terrorism financing.

Nigeria should adopt safe harbor provisions to protect STR reporting entities and their employees. It also should consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible.

## **Pakistan**

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financial services.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders with Afghanistan, Iran, or China, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through November 2014, the Pakistani diaspora legitimately remitted approximately \$18 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan, and it is estimated that use of these operators accounts for over half of the total remittances. Unlicensed hawala/hundi operators are also common throughout the region and are widely used to transfer and launder illicit money. Some support the financing of terrorism.

On February 16, 2012, The FATF added Pakistan to its Public Statement, reflecting Pakistan's failure to address deficiencies related to its AML/CFT regime. In June 2014, the FATF determined that Pakistan had substantially addressed its action plan at a technical level. As a result, the FATF removed Pakistan from its Public Statement.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing



companies; modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* Not available

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

*STR covered entities:* Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:  
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In recent years, the Government of Pakistan has taken steps to adequately criminalize money laundering and terrorist financing; establish procedures to identify, freeze, and confiscate terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit (FIU); establish the regulation of money service providers; and improve controls for cross-border cash transactions. In 2014, the government took further actions to improve the framework for its AML/CFT laws. The government enacted legislation to address deficiencies in its criminalization of terrorist financing and its procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing, and not focus on the predicate offense creating the laundered proceeds. Raising awareness of AML/CFT issues is critical to the judicial sector. Weak legislation and lack of implementation have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawaladars to operate without a license. However, few hawaladars have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address these deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically, by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan should also design and publicly release metrics that track progress in combating money laundering and terrorism financing, such as the number of financial intelligence reports received by its FIU and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should also address trade-based money laundering and value transfer, particularly as it forms the basis for counter-valuation between hawaladars. A crack down on massive trade and customs fraud, including within the framework of the Afghan Transit Trade, would also translate to needed revenue for the Government of Pakistan.

## Panama

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion, bank fraud, and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, utilizing free trade zones (FTZs), and exploiting the lack of regulatory monitoring in many sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 16 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 894 in 2013

**Number of CTRs received and time frame:** 714,105 in 2013

**STR covered entities:** Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, pawnshops, and FTZs

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 24 in 2013

**Convictions:** 11 in 2013

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Panama is a member of the Financial Action Task Force in Latin America (GAFILAT). Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In June 2014, in response to continued criticism, Panama developed an action plan to address its AML deficiencies, and the Government of Panama offered a high-level commitment to implement the necessary actions. The government is working with international donors to draft and pass legislation to criminalize money laundering, address CFT, and cover designated non-financial businesses and professions. A key factor contributing to Panama's vulnerability to money laundering is that not all financial and non-financial sectors are subjected to regulations and supervision.

Numerous assessments over the last five years by an array of different institutions have identified Panama's financial intelligence unit, the UAF, as a point of primary concern. The UAF has historically been viewed as ineffective and susceptible to political pressure. Shortly after the new administration took office on July 1, 2014, the president named a new director of UAF and made its reform one of his priorities. The UAF's new director is working to establish an operationally functional unit by strengthening the unit's analytical ability, increasing its coordination with law enforcement and prosecutorial entities, and reviving its international cooperation with foreign counterparts. The new director's initial efforts to improve the UAF are promising but will require adequate funding and longer-term support to be successful.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to a U.S.-style accusatory judicial system, which began in September 2010, is expected to be implemented in all the provinces by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence, and could be new channels of access for money launderers. On January 11, 2014, Panama National Police and Panama Customs seized \$7,171,300 from the checked luggage of four Honduran nationals upon their arrival at Tocumen International Airport. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited oversight of trade and financial transactions. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ, but there is no official verification process to confirm its end use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. The new CFZ administrator, appointed in July 2014 by the president, has reinstated the CFZ's Office of Money Laundering Prevention and is aiming to expand its control over CFZ businesses and transactions.

Panama's Law 43 (2013) provides for the custody of bearer shares but does not come into effect until August 2015 and allows for a transition period of three years. Thus, Panama will not implement its provisions until 2018. Until the law is fully implemented, financial institutions face a serious risk associated with clients who maintain bearer share companies. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage \$36 million of forfeited assets for use by the Panamanian government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies. Agencies are under-resourced, and often lack the personnel and training to investigate and prosecute complex money laundering schemes. The U.S. and Panamanian governments jointly administer these shared funds to address these issues.

Panama needs to improve its AML legal and regulatory frameworks, strengthen the prosecutor's office and the judicial system, create a more transparent financial and trade network, and establish an adequate legal framework to freeze terrorist assets. The government's action plan is providing a roadmap for Panama to achieve these goals.

## **Paraguay**

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the tri-border region shared with Argentina and Brazil and facilitates much of the money laundering in Paraguay. While the Government of Paraguay believes proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, porous borders, bearer bonds, casinos, unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments disclosure, ineffective and/or corrupt customs inspectors and police, trade-based value transfer, underground remittance systems, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possibly terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Paraguay is at the heart of the Latin American contraband cigarette trade. Some proceeds of these illicit activities were supplied to terrorist organizations.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations that include banking centers in the United States.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 2,392: January – September 2014

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

**STR covered entities:** Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 1 in 2014

**Convictions:** 0 in 2014

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Paraguay is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Paraguay\\_3era\\_Ronda\\_2008.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2014, Paraguayan authorities arrested the alleged mastermind of a scheme that laundered close to \$500 million. While working at an accounting firm in Ciudad del Este, the subject allegedly helped clients launder money using both the Forex S.A. exchange house and several major Paraguayan banks. These banks received letters of reprimand and disapproval in 2013 for failing to follow AML and KYC reporting requirements. U.S. authorities opened criminal investigations against several of these banks' correspondent institutions in the United States.

In November 2013, Paraguay approved a new law to prevent money-laundering and combat terrorist financing. The law took effect in February 2014 and strengthens the rules for reporting on financial transactions. Individuals and financial institutions must now provide significantly more information about their financial transactions and identities.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation is improving, but continues to be an

impediment to effective enforcement, prosecution, and reporting efforts. Money laundering enforcement data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The autonomous government institution responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Credit unions respond to central bank ad hoc requests for money laundering indicators, even though they do not fall under the central bank's formal oversight. Currency exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited.

Paraguay's constitution requires all public employees to declare their financial assets both upon assuming and departing a government position. Following the inauguration of the new government in August 2013, the president, vice president, the 10 ministers of the executive branch, and 22 other minister-rank and high-ranking employees of the administration filed financial disclosure forms in compliance with the constitution, a first in Paraguay. New laws issued in 2013 mandated stricter guidelines on the information that must be disclosed by public officials and the penalties for non-compliance. As of January 2014, public employees must also disclose the assets and income of spouses and dependent children. Compliance with financial disclosure laws increased in 2014.

Customs operations at the airports and overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability and commitment to identify, investigate, and prosecute money laundering and related crimes effectively. Pervasive corruption is the facilitator. The lack of prosecutions and convictions is telling. Authorities should take additional steps to foster coordination among concerned agencies and departments and provide the training and resources necessary to effectively combat the laundering of illicit funds and value transfer.

## **Philippines**

The Republic of the Philippines is not a regional financial center, but with a growing economy it is becoming an increasingly important player in Asia. The Philippines faces challenges from transnational drug trafficking organizations, as methamphetamine abuse remains a significant problem domestically and the Philippines has become a drug transit country for cocaine and methamphetamine going into East Asia. In particular, significant quantities of methamphetamine enter the Philippines in bulk shipments via maritime routes and also via drug couriers using commercial aviation flights into the international airports. Transnational drug trafficking organizations based in East Asia use the existing banking system, casinos, and

commercial enterprises to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, such as African and Latin American based groups, are expanding their presence throughout East Asia and will likely exploit the Philippine financial system to launder and transfer drug trafficking proceeds. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom, as well as narcotics and arms trafficking.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, regulates the growing gaming industry. PAGCOR reported gross revenues equivalent to about \$955 million in 2013.

The large Filipino expatriate community sends remittances that also provide a channel for money laundering. Banks and official money remitters are now able to capture the bulk of remittances, approximately 90%, sent by Filipinos overseas.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines has started using this technology for government-to-persons payments, such as through its Conditional Cash Transfer Program. The technology/systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 300 economic zones throughout the country. Local governmental units, the government-owned Bases Conversion Development Authority, or the Clark Development Corporation regulate a handful of other zones. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in the locally-regulated zones. In addition, the central bank exercises regulatory supervision over three offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones;



insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

#### **REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 80,479: January 1 - October 31, 2014

**Number of CTRs received and time frame:** 37,861,454: January 1 - October 31, 2014

**STR covered entities:** Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

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

**Prosecutions:** 0: January 1 - October 31, 2014

**Convictions:** 1: January 1 - October 31, 2014

#### **RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

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

Since February 2014, the financial intelligence unit (FIU), the AMLC, has been working to secure passage in both houses of the Philippine Congress of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Considering unsuccessful attempts in the past to include casinos, enactment into law during the remaining one and a half years of the current administration may be a challenge without continued international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under 2013 amendments to the AMLA. Instead, a provision authorizes the AMLC to require reports and other documents from the government's Land Registration Authority and the Registries of Deeds. The AMLC and the government agencies concerned have yet to finalize operational and technical details/arrangements to implement reporting of real estate transactions.

The AMLC has not begun receiving reports from dealers in precious stones and metals despite their inclusion as covered entities in the 2013 AMLA amendments. The AMLC is consulting with the industry association on operational and technical details/arrangements to implement reporting and other requirements. There is no single government authority regulating jewelry dealers, and the industry association is not well-organized, which poses challenges for coordinating, monitoring, and enforcing their obligations as AMLA-covered entities.

There is no single supervisory authority for entities in the non-profit sector. Monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

While the Philippines has made progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement. The small number of prosecutions and convictions is telling. AML/CFT agencies continue to receive assistance to build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement.

## **Russia**

While there has been significant progress in improving Russia's AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Money laundering continues to cost the Russian economy billions of dollars every year. The Central Bank of Russia (CBR) estimates that \$26.5 billion in 2013 and \$5.7 billion in the first half of 2014 left Russia through what the CBR terms "fictitious transactions." This definition, according to the CBR, includes payment for narcotics, bribes to government officials, and tax evasion. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption. In particular, official corruption remains a significant problem at all levels of government, despite several recent high profile anti-corruption actions by the Government of Russia, and is a major source of laundered funds, with proceeds frequently moved offshore.

Russia is considered a significant transit and destination country for international narcotics traffickers. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring) has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

Cybercrime remains a significant problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance, and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 6,072,765 in 2013  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; pawnshops and dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

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

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

***RECORDS EXCHANGE MECHANISM:***

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

Russia is a member of the FATF and two FATF-style regional bodies: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of

Terrorism (EAG). Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/>

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

In 2013, Russia took a number of regulatory and legal measures to strengthen its capacity to combat financial crime and money laundering. Among these measures are improved beneficial owner definitions; better access to information on bank accounts for tax inspectors and law enforcement investigators; the right of banks to unilaterally decline to open an account or terminate an existing account of a client suspected of criminal activities; and the ability of credit institutions to freeze any client's account if they suspect any involvement in extremist activities or terrorism. While this legislation is a major step forward for Russia, full and unbiased implementation will be required to address Russia's reputation as a center for money laundering.

Apart from taking responsibility for regulating non-bank financial entities, the CBR stepped up enforcement within the banking sector, revoking 26 banking licenses in 2013. Some of these revocations were related to money laundering and tax evasion schemes. It is unclear, however, how many of the license revocations specifically involved money laundering concerns.

A new law on public procurement was adopted in April 2013 and is the most significant improvement since 2005. The legislation has come into force gradually, beginning in January 2014. One of the more important components of the legislation has been the obligatory public discussion of all government procurement contracts with a value of more than 1 billion rubles (approximately \$21.3 million).

In 2014, building on the significant steps taken in the previous year, the Russian Government undertook additional measures centered on its tax system. For example, the National Plan on Countering Tax Evasion and Concealing Beneficial Owners was adopted in April 2014. The plan develops a number of items of important AML legislation. These steps include the introduction of beneficial ownership registries in June 2014, the improvement of beneficial ownership identification procedures in December 2014, and an enhanced system for information exchange on violations of AML/CFT rules in December 2015. Russia also enacted additional changes to the AML/CFT legislation to establish a lower, 100,000 rubles (approximately \$2500), threshold for Russian NGOs who are receiving money and in-kind assistance from abroad. Under new legislation, pawn shops began filing STRs on April 1, 2014.

In November 2014 the State Duma (the lower house of the Russian Parliament) also passed new legislation on "controlled foreign companies" to come into force January 1, 2015. The legislation states that offshore entities that are at least 50 percent Russian-owned must pay tax on unallocated profits, but the threshold will fall to 25 percent in 2017. Russian ownership in a controlled foreign company of more than 10 percent must be reported to the Russian authorities before April 1, 2015. Russia is unable to effectively enforce foreign forfeiture orders.

### **Singapore**

Singapore is a major international financial and investment hub. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors pose inherent risks and make the jurisdiction a potentially attractive money laundering destination for transnational criminals and foreign corrupt officials.

As of November 8, 2014, there were 37 offshore banks in operation, all foreign-owned. Singapore is a major center for offshore private banking and asset management. Assets under management in Singapore total approximately \$1.42 trillion. As of the end of 2013, Singapore had at least \$1.09 trillion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of \$4.11 billion in 2013. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

In 2012, Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax, which may attract a larger share of the trade in precious metals. Regionally, gold is often used as a commodity of choice in trade-based money laundering (TBML) schemes and is also used frequently in the settling of accounts in underground financial systems. Singapore is located on a key global trade route and is a major transshipment port. Singapore hosts ten free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs, in conjunction with the Ministry of Finance. Singaporean authorities recognize the vulnerability of these areas to trade fraud and TBML.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 22,417 in 2013

***Number of CTRs received and time frame:*** 370,933 in 2013

***STR covered entities:*** Banks, auditors, financial advisors, capital market service licensees, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

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

***Prosecutions:*** 79 in 2013

***Convictions:*** 82 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

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

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/documents/documents/mutualevaluationofsingapore.html>

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

Singapore has a comprehensive suspicious transaction reporting (STR) regime and applies AML/CFT requirements to a broad range of entities. Currency transaction reporting (CTRs) above a certain threshold only pertains to casinos and, as of October 2014, to gem and precious metals dealers. There currently is no comprehensive requirement mandating CTRs for all currency transactions above a certain threshold amount for all types of financial institutions or designated non-financial businesses and professions (DNFBPs), which limits the ability to track significant financial movements.

Individuals who move cash into or receive cash from outside of Singapore in excess of SGD 20,000 (approximately \$15,100), or its foreign currency equivalent, are subject to a reporting requirement. This threshold was lowered from SGD 30,000 (approximately \$22,700) in September 2014.

Singapore's legal system provides for the investigation and prosecution of money laundering offenses. Singapore has taken steps over the last year to improve its investigation and prosecution of money laundering cases, including foreign-sourced cases. Singaporean police are successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. The significant increase in the number of money laundering convictions in 2013 is attributed to the conviction of persons prosecuted in previous years, and possibly, to the enforcement of new predicate crimes added to the law in 2010 amendments.

Singapore has several double taxation treaties, all of which incorporate the automatic exchange of information. Since 2013, willful tax evasion and tax fraud have been designated predicate offenses for money laundering.

In 2014, Singapore announced it was stopping the issuance of new SGD 10,000 notes (approximately \$7,500) as part of a broader move to strengthen its AML/CFT regime. Large denomination notes are popular with money launderers.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore. Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

## **Somalia**

In September 2013, Somalia and the international community endorsed a New Deal Compact for Somalia that outlines peace- and state-building goals aimed at helping Somalia become more accountable to the people of Somalia and instituting political, financial, health, and security reforms. The Ministry of Finance (MoF) implemented basic reforms, including appointing a Central Bank Board of Governors and drafting key legislation to improve the transparency of the financial system. In 2014, the African Union Mission in Somalia and the Somali National Army made progress clearing al-Shabaab from large areas of south central Somalia, including the al-Shabaab stronghold port city of Baraawe. The Federal Government of Somalia (FGS) made some progress in drafting key legislation, establishing the foundation for creating federal states, and pursuing regional reconciliation.

Somalia's financial system is generally informal, operating almost completely outside of government oversight, either via the black market or unsupervised remitters and hawaladars. A 2013 Oxfam study pegged remittances at roughly \$1.3 billion per year, mostly sent by the Somali diaspora overseas to their relatives in the Horn of Africa, and mostly through financial centers in the Gulf.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, partly because customs officials lack the capacity to control points of entry. Ransoms are generally spent and/or laundered in northern Somalia, but may also be laundered in neighboring countries, the Middle East, or Europe. Delivery of ransoms reportedly occurs through cash drops to pirates holding ships off Somalia's coast; the money is divided among the pirates themselves, their support networks on shore, and possibly, national or international sponsors. Much of the ransom generally remains in cash. Anecdotal reports suggest that ransoms, sometimes comingled with funds of legitimate origin, may be invested in real estate, luxury goods, and businesses.

While Somalia has taken limited steps to improve transparency in its public financial management, corruption remains endemic and provides opportunities for money laundering. For example, some government officials in Somalia's northern regions of Puntland and Galmudug reportedly benefited from ransoms, and possibly, helped to facilitate ransom laundering or the transfer of ransom money to foreign destinations.

Al-Shabaab remains the most significant terrorist threat to Somalia and the region. This terrorist group raises funds through multiple sources, including donations from Somali and non-Somali sympathizers both inside Somalia and abroad, “taxation” and/or extortion of local businesses and private citizens, kidnapping for ransom, and exploitation of the illicit charcoal trade in southern Somalia. Despite the existing UN ban on the export of charcoal from Somalia, al-Shabaab continues to profit from illegal charcoal exports that may be worth more than \$250 million a year on the international market. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawaladars and other money or value transfer services.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Not applicable  
*Are legal persons covered:* *criminally:* Not applicable *civilly:* Not applicable

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* NO *Domestic:* NO  
*KYC covered entities:* None

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* Not applicable  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* None

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

*Prosecutions:* 0  
*Convictions:* 0

***RECORDS EXCHANGE MECHANISM:***

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

Somalia is not a member of any FATF-style regional body (FSRB) and has not been subject to a mutual evaluation. Somalia became an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF) in 2014.

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



While Somalia continues to stabilize, the government struggles with weak or non-functional state institutions.

With assistance from the international community, Somalia has begun to identify priority areas for new legislation to develop institutional capacity and create regulatory bodies. As of the end of 2014, however, Somalia has no AML/CFT laws and maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, needs extensive revision. The code does not include any provisions or penalties addressing money laundering or terrorist financing. The key obstacles to enacting AML/CFT laws include the federal government's limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise necessary to draft substantive laws; pressing security threats to the government, including from the continuing al-Shabaab insurgency; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. Parliament also has struggled in political discussions with the FGS on priorities, resulting in delayed passage of legislation. Political infighting between the president and various prime ministers has distracted FGS officials from pursuing necessary reforms and passing required legislation.

Somalia lacks a formal financial sector, with the exception of informal commercial banks operating without supervision or regulation. Somalia has no functioning government regulatory/supervisory agencies to oversee its financial sector, thereby allowing money transmitters and hawaladars to operate without any customer due diligence or suspicious transaction reporting requirements. In any event, they cannot provide AML/CFT-relevant information to any credible governmental authority. Somalia imposes no financial record-keeping requirements; to the extent that international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards to do business elsewhere in the world. Most money remittance companies, for example, use electronic AML/CFT filter systems which flag possible matches between customers and the individuals and entities on the UN 1267 Sanctions Committee's consolidated list. In May 2013, Barclay's Bank in the UK announced it would close bank accounts held by Somali money transmitters. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, announced in May 2014 that it would discontinue service, but after conducting an AML/CFT investigation, it announced it would continue servicing Somali money transmitters.

The legal system in Somalia consists of traditional courts (*xeer*), as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability. The federal government appointed a new Attorney General in August 2014. The new Attorney General has suspended five of twelve practicing prosecutors due to alleged corruption, and has launched investigations of alleged malfeasance in the Somali Supreme Court of Justice.

In theory, the police are reportedly responsible for investigating financial crimes. The police lack the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable

of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The federal government has called on regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

The MoF, and the wider government, struggle to combat corruption and the embezzlement of public funds. The October 2014 Somalia Eritrea Monitoring Group report claims the government misappropriates 70 to 75 percent of its revenue. The report also focuses on the practice of “secret contracting,” where the government signs contracts in exchange for signing bonuses. Although the government has made public declarations against corruption, it has yet to implement anti-corruption reforms. Somalia’s constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector; Somalia has yet to establish that Commission.

Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries, but has indicated an interest in collaboration. The Central Bank of Somalia has worked with international donors to draft an AML/CFT law, in addition to collaborating with international partners to apply for observer status to the East and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Somalia should continue taking steps to combat corruption, enhance its ability to cooperate with international partners, begin to draft AML/CFT-related legislation, and take all necessary steps to become a member of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although the government has significantly increased the amount of revenue it collects, it lacks the funding necessary to effectively improve government capacity and will continue to rely heavily on donor funds.

## **Spain**

Spain is proactive in identifying, assessing, and understanding its money laundering risks and has effective mechanisms in most areas to mitigate these risks. There are a range of money laundering risks as Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and Central and South America. The most prominent means of laundering money are through the purchase and sale of real estate; the use of complex networks of companies and legal arrangements; the exploitation of money or value transfer services; and the use of cash couriers.

The major sources of criminal proceeds are related to drug trafficking, organized crime, customs offenses, human trafficking, counterfeit goods, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and

east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; money exchangers or transmitters; realty agents; dealers in precious metals, stones, antiques, and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4,025 in 2013

***Number of CTRs received and time frame:*** 801,267 in 2013

***STR covered entities:*** Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents, and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

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

*Prosecutions:* 64 in 2013

*Convictions:* 116 in 2013

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at:  
<http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various threat finance vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as small convenience stores and communication centers that often offer wire transfer services, are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community. While AML/CFT supervision of banks appears to be robust, significant gaps regarding the identification of unlicensed operators, and the supervision of money or value transfer services operating under EU passporting rules remain. In May 2014, Spain approved regulations to implement its 2010 AML/CFT law.

Spain has a complex network of law enforcement agencies and intelligence services, including specialized units focused on money laundering, which are part of the Ministry of the Interior. Two national police forces, the National Police and the Civil Guard, have the authority to investigate all crimes nationwide and handle immigration matters.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. Carrying more than 100,000 euros (approximately \$122,000) in cash within the country is subject to disclosure. If the authorities discover an amount larger than that, they can seize and hold it until an administrative economic sanction is provided. In 2013, 21 million euros (approximately \$25.5 million) were seized in 667 interventions, and 8 million euros (approximately \$9.7 million) in penalties were imposed. Cash transactions between businesses and professionals are restricted to less than 2,500 euros (approximately \$3,040). Failure to comply with the restrictions can result in an administrative fine equivalent to 25 percent of the total value of the payment.

Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries. Moreover, even when no criminal punishment is imposed because the person is exempted from criminal accountability, such as by a statute of limitations, forfeiture may still be ordered in a criminal case if there is sufficient evidence of the illegal source of the assets. Finally, there is presumption of forfeiture for assets that are disproportionate in relation to the revenue lawfully obtained by persons who

have been found guilty of terrorism offenses or felonies committed within a criminal or terrorist organization or group even if there is no conviction for the underlying offense generating those proceeds.

Spain is currently implementing Article 43 of its AML/CFT Law that creates a “Financial Ownership File,” a database that will have the date of account opening, the name of the account holder, the name of the beneficial owner, the name of the financial institution, and the branch location for all bank and securities accounts in Spain. The database is housed at the Bank of Spain, but will be under the control of the FIU, and will be available to law enforcement. All specified financial institutions will be required by law to provide the prescribed database information at regular intervals. It should be fully operational by 2016, but since 2013 has been in a pilot stage involving nine major Spanish bank conglomerates.

A number of different types of money laundering cases have been prosecuted, including those involving third party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions actually imposed for money laundering offenses is a weakness, as is the limited capacity to handle complex money laundering cases in the judicial system in a timely fashion.

## **St. Maarten**

Sint Maarten (St. Maarten) is an autonomous country within the Kingdom of the Netherlands. St. Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance. Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics trafficking. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity to other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. Many hotels operate casinos on the island and online gaming is legal and subject to supervision.

St. Maarten’s favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. They invested their money in large scale real estate developments, including hotels and casinos. In certain cases the source of the money is considered dubious. In St. Maarten, money laundering of criminal profits occurs through business investments, and international tax shelters. Its weak government sector is vulnerable to integrity-related crimes.

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

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

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

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

*KYC covered entities:* Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 1,281: January – November, 2013

*Number of CTRs received and time frame:* 1: January – August, 2013

*STR covered entities:* Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The National Ordinance Reporting Unusual Transactions establishes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor’s office.

In 2014, St. Maarten’s FIU, the MOT, became a member of the Egmont Group of FIUs.

In 2014, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, St. Maarten currently faces a substantial shortcoming in accountability that is largely attributable to a lack of enforcement across a full spectrum of integrity-related laws, policies, and procedures.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. The local container facility plays an important role in the region. Larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding St Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to St. Maarten. As part of the Kingdom of the Netherlands, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to St. Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten. The UN Convention against Corruption has not yet been extended to St. Maarten.

## **Switzerland**

Switzerland is a major international financial center. The country's central geographic location; political neutrality; relative social and monetary stability; sophisticated financial services sector; role as a global commodities trading hub; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success as a major international financial center, while also making Switzerland a prime target for money laundering abuse.

Reports indicate that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide, including financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorism financing, and corruption. Although Swiss actors launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While casinos are generally well regulated, there are concerns they are being used to launder money. One possible method involves the structuring of cash purchases of casino chips to avoid reporting requirements, with subsequent chip redemption for checks/wire transfers drawn on casino bank accounts. Corrupt casino employees also are known to have facilitated drug money laundering activities.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; investment companies; insurance companies; casinos; financial intermediaries; commodities traders, and investment advisors

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 1,411 in 2013  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; casinos; financial intermediaries; and investment advisors

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

*Prosecutions:* 1,116 in 2013  
*Convictions:* 234 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/switzerland/>

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

Within Switzerland, there is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. Swiss authorities should take steps to regulate these sectors.

Sports associations like the International Federation of Association Football (FIFA) or the International Olympic Committee are not businesses but associations. They do not pay taxes



and, as associations, are exempt from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change applicable laws with respect to these organizations, many of which are suspected of corruption.

Persons physically transferring money worth more than \$10,600 into or out of Switzerland need to be able to specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

The number of STRs decreased by 11 percent from 2012 to 2013, encompassing a total of \$3.2 billion (down from \$3.4 billion in 2012). In 2013, 33 reports were related to terrorism finance, amounting to \$485,000.

Bearer shares, which are still common in Switzerland, should be abolished to improve transparency.

## **Taiwan**

As a regional financial center, Taiwan's modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is legal but only allowed in limited parts of Taiwan's territory. Taiwan has not yet passed legislation governing the gaming industry, and no casinos have been established. The extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector, which are regulated by Taiwan's central bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN***

***THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers’ and fishermen’s associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 5,662: January - October 2014  
*Number of CTRs received and time frame:* 3,422,102: January - October 2014  
***STR covered entities:*** Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers’ and fishermen’s associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

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

*Prosecutions:* 26: January - October 2014  
*Convictions:* 11: January - October 2014

***RECORDS EXCHANGE MECHANISM:***

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

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:  
<http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei>

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

Taiwan continues to strengthen its AML/CFT regime but is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan’s asset freezing regime and implementation of UNSCRs 1267 and 1373; deficiencies in customer due diligence (CDD)

regulations, including in identifying and verifying customer identity; and the threshold for a serious money laundering offense is too high.

Regulations regarding the reporting of transactions by jewelry stores came into force in January 2012. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The government is not keeping statistics on jewelry store-related money laundering cases.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering and terrorism financing activity. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance systems, such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems such as *fei-chien* and its link to the international gold trade.

In 2014, Taiwan assisted U.S. law enforcement authorities and agreed to freeze a bank account containing nearly \$16 million in illicit proceeds tied to a trade-based money laundering scheme in Los Angeles involving Mexican drug cartels and the importation of garments and textiles into the United States. It was the first time Taiwan had facilitated a significant asset seizure as part of a U.S.-based criminal investigation.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Proposed legislative amendments to Taiwan's Money Laundering Control Act address a number of these deficiencies, but remain only in draft form.

## **Thailand**

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy, as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit

consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawaladars that service Middle Eastern travelers in Thailand. Thai and Chinese underground remittance systems are also prevalent.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses, and deposit/lending cooperatives with total operating capital exceeding the equivalent of \$67,000

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 13,914 in 2014

***Number of CTRs received and time frame:*** 1,120,059 in 2014

***STR covered entities:*** Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

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

***Prosecutions:*** 9: January 1 - October 31, 2014

***Convictions:*** 17: January 1 - October 31, 2014

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions: YES*

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Thailand continues to make progress in its AML/CFT legal/regulatory framework, since its passage of the Anti-Money Laundering Act (No. 4) (AMLA (No. 4)) and the Counter Terrorism Financing Act in 2013. The AMLA (No. 4) transfers all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), which serves as Thailand's financial intelligence unit. Previously, supervision for AML purposes appears to have been lax across the spectrum of regulators. AMLO has assumed its new supervisory role, and has credited its increased outreach to financial institutions for the significant decrease in suspicious transaction reports (STRs) received in 2014 compared with 2013 (74,596 STRs). According to AMLO, financial entities over-reported in prior years because they did not understand the guidelines.

Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as compared to criminal enforcement. In the international cooperation arena, where it is appropriate to repatriate or share forfeited proceeds with a foreign jurisdiction, there is a legal impediment barring the assets from being transferred outside Thailand. In spite of a high number of money laundering investigations (70 for 2014), the prosecution and conviction rates are low in comparison to 2013, a result likely attributable to law enforcement resources having been diverted during protests and unrest for much of the first half of the year, culminating in a May 22 military coup.

AMLO is drafting Anti-Money Laundering Act (No. 5), an amendment to the current act. The update is expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO hopes to implement the legislative changes in 2015.

**Turkey**

Turkey, which aspires to be a global financial center, is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. Turkey's economy has grown rapidly over the past decade, and its GDP has more than quadrupled in size since 2001. This rapid growth, combined with Turkey's geographical location and commercial relationships makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. Narcotics trafficking is only one source of the funds laundered in Turkey, however. Other significant sources include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in the form of cash flows across Turkey's southern border into Syria; and

terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

The FATF first included Turkey in its Public Statement in 2010, for Turkey's lack of adequate terrorism financing legislation and the lack of a legal framework within which to freeze terrorist assets. In 2013, Turkey took legislative action to improve its compliance with international standards. Based upon an analysis of Turkey's overall legislative framework, together with evidence of its implementation over time, in June 2014, FATF removed Turkey from its Public Statement.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** *Foreign:* NO *Domestic:* NO  
***KYC covered entities:*** Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes;

dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

### **REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 31,733: January 1 - November 21, 2014

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

**STR covered entities:** Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

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

**Prosecutions:** Not available

**Convictions:** Not available

### **RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/turkey/>

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

Turkey has taken steps toward improving its CFT regime, including by establishing procedures to identify, freeze, and confiscate terrorist assets.

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened. Based upon recently enacted legislation, regulations and communiques, Turkey's

Financial Crimes Investigation Board (MASAK) has improved its capacity to collect and analyze financial information. MASAK continues to increase education efforts for financial institutions. Nevertheless, Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. Since 2009, MASAK has referred 1,236 individuals to public prosecutors based upon a suspicion of money laundering; of these, 275 were made in 2012, and 238 were made in 2013.

Turkey should provide the necessary resources and capacity to adequately supervise its NPOs. Turkey should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373.

## **Ukraine**

Although Ukraine is not a regional banking or financial center, it has had close ties with European banking networks. Over recent years, however, several international banks have pulled out of the country. In Ukraine, significant vulnerabilities to money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources markets. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms, or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional facilitating factor is the level of corruption throughout society, both in the private and public sectors. In the course of investigations conducted in the first ten months of 2014, the financial intelligence unit revealed large-scale corruption activities of the Yanukovich government that could have cost the government the equivalent of \$10.85 billion. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored.



Transnational organized crime syndicates are also present and both transit the country and conduct business in Ukraine. They are involved in drug trafficking, economic crimes, cigarette smuggling, trafficking in persons, public corruption, real estate and other frauds, violent crimes, and extortion. They are able to operate in Ukraine due to the corruption of the justice system.

Money launderers use various methodologies including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. According to Ukraine's State Tax Administration, there continues to be growth in formation of offshore companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands has been a popular offshore destination for those who wish to obscure ownership and to avoid taxes.

There is a significant market for smuggled goods and a large informal financial sector in Ukraine. These activities are linked to evasion of taxes and customs duties. Many Ukrainians work out of the country; worker remittances using banking transfers or via international payment systems amounted to approximately \$4.8 billion in the first eleven months of 2014. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES

***KYC covered entities:*** Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

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

***STR covered entities:*** Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders

of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

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

***Prosecutions:*** 241 in 2014

***Convictions:*** 156 in 2014

***RECORDS EXCHANGE MECHANISM:***

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

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

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

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp)

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

The Government of Ukraine has made some recent progress in strengthening its AML/CFT regime, in particular in enhancing due diligence requirements for domestic politically exposed persons (PEPs) and introducing criminal liability (i.e., criminal fines) for corporations. The law introducing criminal liability for legal persons for money laundering crimes was passed on May 3, 2013 and enacted on April 27, 2014. A law enhancing due diligence for domestic PEPs was passed on October 14, 2014 and enacted on November 25, 2014.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2014, 849,907 reports were received.

Ukraine should address the rise of cybercrime and related transnational organized crime activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine should enhance regulatory oversight of its gaming industry and examine how gaming is used to launder money and its possible relationship with regional organized crime. The government should investigate how informal money and value transfer networks are used not only for remittances, but for the transfer of illicit proceeds.

While Ukraine has signed and ratified international treaties, implementation is weak in many instances. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. Ukraine should work aggressively to implement its treaty obligations.

**United Arab Emirates**

The United Arab Emirates (UAE) has long thrived as a regional hub for trade and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable and attractive to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Risks associated with exchange houses, hawaladars, and trading companies in the UAE have received significant attention. With an immigrant population of more than 80 percent, money remittance is a pillar of the local economy. Since formal financial services are limited in large parts of many guest workers' home countries, hawaladars and other money/value transfer services are prevalent in the UAE. There are some indications that trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies, and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Financial networks operating both in and outside the UAE almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, totaling 36 free trade zones (FTZs) and one financial free zone, including one under development in Abu Dhabi. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* **Foreign:** YES **Domestic:** YES

*KYC covered entities:* Banks, insurance companies, exchange houses, and securities traders

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* Not available

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

*STR covered entities:* Banks, insurance companies, exchange houses, and securities traders

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of the UAE continues to work on enhancing its AML/CFT program and, in 2014, worked to advance legislation strengthening efforts to combat ML/TF. In November 2014, the UAE amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses, among other improvements. The law also stipulates that outbound and inbound travelers must declare the amount of money, convertible financial instruments, and precious metals and gems they hold under a disclosure regulation to be issued by the UAE Central Bank. Separately, in August 2014, the UAE issued enacted a new counterterrorism law which defines terrorist financing, imposes a minimum sentence of ten years for those found guilty of such crimes, and grants the Central Bank the authority to freeze bank accounts of those suspected of financing terrorist groups for up to seven days.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the Anti-Money Laundering Suspicious Cases Unit (AMLSCU) - the UAE's financial intelligence unit (FIU) - and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information sharing capability to support cooperative efforts with counterpart FIUs. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE has been considering moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should take action to establish appropriate policies and procedures.

## United Kingdom

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Observers feel the UK's current regulatory architecture and the high degree of financial secrecy afforded to directors of British firms also are attractive to global criminal syndicates. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; cash smugglers (into and out of the UK); and traditional gatekeepers, including lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high-value assets to disguise illicit proceeds. Underground alternative remittance systems, such as hawala, are also common.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

***KYC covered entities:*** Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 354,186: October 2013 – September 2014

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

**STR covered entities:** Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 64: January 1 - September 30, 2014

**Convictions:** 56: January 1 - September 30, 2014

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/uz/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The United Kingdom has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK reviews and assesses the effectiveness and proportionality of its AML/CFT regime, including through the approval of updated and more accessible industry guidance. A further revision of the Money Laundering Directive was published in February 2013 and is currently being negotiated at an EU-wide level.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA now has all financial crime responsibilities previously held by the British Financial Services Authority (FSA). The UK has worked to change and update its procedures to make compliance easier and more attractive under Her Majesty's Revenue & Customs Anti-Money Laundering Supervision Change Program. HM Treasury continues to work with the Home Office regarding the National Risk Assessment to provide sector-related insights and expertise. On April 1, 2014, the FCA took over regulation of the consumer credit industry, supervising compliance of over 50,000 firms with legal and regulatory financial crime obligations. In 2013 and 2014, the FCA fined two separate major banks over \$13 million for flaws in their AML controls.

There is no enhanced customer due diligence for British politically exposed persons (PEPs). The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

In 2014, a significant and wide reaching money laundering investigation was initiated in Moldova which involved an international web of companies, including a large number of UK firms. The complex scheme involved billions of dollars of tainted money primarily routed through Russia and layered through complicit British front companies.

The UK is continuing with plans to require beneficial ownership of companies and trusts to be listed in public registers. The measure is aimed at combating international money laundering and tax evasion.

## **Uruguay**

Although the Government of Uruguay took affirmative steps in 2014 to counter money laundering and terrorism financing activities, and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 80 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian, Mexican, and Russian criminal organizations are operating in Uruguay. There is continued concern about transnational organized crime originating in Brazil. In 2013 and 2014, there were five high-profile cases related to the alleged laundering of funds from Peru, Argentina, and Spain.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing significantly. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering occur.

Given the longstanding free mobility of capital in Uruguay, money is likely laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the central bank, and any share transactions must be authorized by the central bank.

There are 12 free trade zones (FTZs) located throughout the country: three accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods (generally manufactured in China) or raw materials bound for Brazil and Paraguay.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES

*KYC covered entities:* Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other persons who carry out financial transactions or manage commercial companies on behalf of third parties

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 218: January – October 2014

*Number of CTRs received and time frame:* 7,700,000: January – October 2014

*STR covered entities:* Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and other persons who carry out financial transactions or administer corporations on behalf of third parties

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

*Prosecutions:* 36: January - June 2014

*Convictions:* 1: January - June 2014

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Uruguay\\_3era\\_Ronda\\_2009.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Uruguay_3era_Ronda_2009.pdf)

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



Significant AML/CFT developments in 2014 include several programs being carried out with the assistance of international donors. One program seeks to enhance the effectiveness of Uruguay's AML investigations, improve the local statistical system, and assess Uruguay's compliance with international standards. Donors also are assisting Uruguay in updating its money laundering risk assessment, which will guide the AML strategy of the new presidential administration that will take office in March 2015. Another project is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit (FIU), and deepen its capability to assess risk within the financial sector.

A financial inclusion law, No. 19.210, passed in May 2014, provides for mandatory payment of wages, pensions, and specified transactions by electronic means, thereby diminishing money laundering risks by increasing economic formalization.

In 2014, Uruguay continued its strategy of increased transparency by eliminating bearer share corporations that fail to register the owners of their shares and announcing its intention to adhere to automatic exchange of tax information. Uruguay also continued strengthening the technical staff of the FIU and the AML Secretariat, both of which have the authority to require all obligated entities to provide requested information. In 2014, the Uruguayan Customs Authority created a working group on AML, and the government continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay is in the process of improving its collection of statistics related to prosecutions, convictions, and amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. The FIU did not freeze any assets in 2014. Uruguay is considering amending its legislation to allow asset seizure without a conviction.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, continue working with covered non-financial entities, and improve the management of seized assets and funds.

## **Venezuela**

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, an ineffective AML regime, limited bilateral cooperation, and endemic corruption throughout commerce and government, including law enforcement, continue to make Venezuela vulnerable to money laundering and other financial crimes. The main sources of laundered funds are proceeds generated by drug trafficking organizations and corruption in Venezuela's currency control regime.

Money laundering occurs through the Venezuelan government currency control regime, commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent and profitable method for laundering regional narcotics proceeds. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars in

the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos, which in turn are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a stronger official exchange rate. It is reported some black market traders ship their goods through Margarita Island's free port, one of three free trade zones/ports in Venezuela. The use of free trade zones for trade-based money laundering has become less attractive in recent years because the margins gained by laundering money through the currency control regime have reduced the incentive to use a free trade zone to avoid import duties.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 3,086 in 2013  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

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

*Prosecutions:* 170: January 1 - December 31, 2013  
*Convictions:* 3: January 1 - December 31, 2013

***RECORDS EXCHANGE MECHANISM:***

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

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela>

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

Since 2003, the Government of Venezuela has maintained a strict regime of currency controls, in which private sector firms and individuals must request authorization from a government-operated currency commission to purchase hard currency to pay for imports and for other approved uses (e.g., foreign travel). Government ministries that spend hard currency on public procurements also must request dollars from an intra-governmental committee coordinated by the central bank. Private sector banks and financial institutions cannot hold their own deposits of hard currency, so virtually all dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuelan government officials - including the president, the executive vice president, a central bank president, a finance minister, and an interior minister - have all admitted publicly over the past 12-18 months that 30-40 percent of the roughly \$53 billion the Venezuelan government spent on imports in 2013 were paid out for over-invoiced or completely fictitious transactions, i.e., schemes to defraud the currency commission and other authorities of dollars. Venezuelan government officials have also admitted publicly that corrupt public-sector employees facilitate these transactions in exchange for kickbacks.

Banking sector and law enforcement officials believe Margarita Island's (and other free trade zones') role in trade-based money laundering has diminished in recent years. There is almost a 3,000 percent spread between Venezuela's official exchange rate of 6.3 bolivars/dollar and the parallel exchange rate of 180 bolivars/dollar. This margin was less than 100 percent as recently as February 2012. The massively increased bolivar profit margins achievable by defrauding the currency commission have reduced the incentive to traffic goods through duty exempt zones to avoid paying import taxes in bolivars.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with Venezuela's National Financial Intelligence Unit, after the unauthorized disclosure of information provided to Venezuela in January 2007.

Venezuela has implemented its 2010 action plan and improved AML/CFT deficiencies. In January 2012, the national assembly passed the 2012 Organic Law Against Organized Crime and the Financing of Terrorism. The law defines and sanctions both organized crime and terrorist financing; however, the politicized judicial system compromises the law's effectiveness.

The National Office against Organized Crime and Terrorist Finance has limited operational capacity. The Superintendent of Banking Sector Institutions supervises Venezuela's financial intelligence unit – the UNIF. The UNIF should operate autonomously, independent of undue

influence. The Government of Venezuela should increase institutional infrastructure and technical capacity to effectively implement its AML/CFT legislation and legal mechanisms.

### **West Bank and Gaza**

The Palestinian Authority (PA) provides most governance, services, and security in “Area A” zones of the West Bank. The PA provides some governance and services in “Area B” zones of the West Bank, in which Israel retains security control. The PA has limited access to approximately 60 percent of the West Bank designated as “Area C,” which remains under full Israeli civil and security control. The PA also has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup, although with the formation of an interim government of independent officials in June 2014 under the Fatah-Hamas reconciliation agreement, ministries based in Gaza are supposed to be under the control of technocrats. Security apparatuses in Gaza remain under the control of Hamas.

There are 17 banks operating in the West Bank and Gaza, seven local and 10 foreign, working through a network of 252 branches and offices. There are also 275 money changers in both the West Bank and Gaza, and nine specialized lending institutions.

The Palestinian economy is primarily cash-based. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA’s security control. Within territory located in Area A, narcotics trafficking and use are not major problems. PA security forces, however, have no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, PA officials consider trade-based money laundering and customs fraud are among the largest money laundering threats to the PA.

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

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

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

#### **REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 51 in 2014

**Number of CTRs received and time frame:** 384,774 in 2014

**STR covered entities:** Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

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

**Prosecutions:** 57 in 2014

**Convictions:** 3 in 2014

#### **RECORDS EXCHANGE MECHANISM:**

**With U.S.:** *MLAT:* NO

**Other mechanism:** YES

**With other governments/jurisdictions:** YES

The PA is an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. The Palestinian Authority has not undergone a mutual evaluation.

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

The PA has effective laws and regulations to address money laundering, notably Anti-Monetary Laundering Law #9 of 2007 (AML Law). However, the penal code (which is Jordanian law) is outdated, and most of the predicate offenses for money laundering are not felonies under this law. The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing, per se, but amendments to the AML Law to include terrorism, terrorist acts, and terrorism financing currently are under consideration by the Cabinet and, once approved, could be signed into law by executive decree. Presently, cases considered terrorism are investigated

and prosecuted under another specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA submitted documents to accede to the UN Convention Against Corruption (UNCAC) on April 2, 2014, and according to the United Nations, the Convention entered into force on May 2, 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA has not sought to become a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing and does not implement UNSCRs 1267 or 1373.

KYC in the West Bank and Gaza is controlled by the AML Law and the Palestine Monetary Authority Law #2 of 1997. The PA has a very effective supervision and regulatory compliance function for financial institutions and non-financial businesses and professions (DNFBPs). The Palestine Monetary Authority (PMA) is an independent agency of the PA. The PMA is responsible for supervision and regulatory compliance of financial institutions and precious metal dealers. Recently, the PMA implemented effective controls over licensed money service businesses. The remaining DNFBPs are supervised by the Palestine Capital Market Authority.

The Financial Follow-Up Unit (FFU) is a fully functional financial intelligence unit with 12 employees and a computer system linking it with all 17 banks licensed to operate in the PA. The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) electronically through this system. The number of filed STRs increased in 2014, while CTRs decreased slightly over the past year. The FFU also has developed an Unusual Transaction Report, covering transactions that have not been articulated as suspicious but bear closer scrutiny. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in AML Law #7 of 2007. Article 31 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office. The restrictions on information sharing have compromised the FFU's ability to disseminate information and minimized the FFU's function and ability to support law enforcement.

Prosecutors within the Attorney General's Office (AGO) are the chief investigators in the PA, holding all the powers of an investigative judge. The prosecutors' lack of manpower and investigative experience has slowed the successful prosecution of AML cases. In response, the PA has formed a multi-agency task force, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. Although the task force is intended to increase information sharing among law enforcement agencies and the FFU, meetings have been held on an ad hoc schedule. Despite the noted problems, the number of prosecutions remained consistent between 2013 and 2014. At the close of 2014, in addition to the three convictions, eight cases were still under investigation, and 38 non-guilty verdicts had been reached. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately.

## **Zimbabwe**

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally may appear in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; and increased cooperation among criminal networks and links with legal business activity, resulting in serious corruption and bribery. Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, an arms embargo, and suspended restrictions on 89 individuals and eight entities. The EU reviews its restrictions annually in February. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ, so it remains illegal for U.S. persons to transact with these corporations.

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

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

***CRIMINALIZATION OF MONEY LAUNDERING:***

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

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

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 355: January 1 - October 31, 2014  
*Number of CTRs received and time frame:* Not applicable

**STR covered entities:** Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.esaamlg.org/userfiles/Zimbabwe\\_detailed\\_report.pdf](http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The government sometimes abuses AML legislation for political purposes. More broadly, widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime.

Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament's 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch. For example, the Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the new Minister of this department has promised to improve accountability within the diamond mining sector. In 2014, Zimbabwe passed laws criminalizing human trafficking and piracy.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources to effectively combat money laundering, and many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government. In 2013, Zimbabwe issued regulations aimed at beginning its implementation of its obligations to identify and freeze terrorist assets under UNSCRs 1267 and 1373.

The Money Laundering and Proceeds of Crime Act (MLPCA), enacted in 2013, widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance (MLA). The MLPCA appears to amend the CMA to make MLA available for the investigation and prosecution of terrorist financing, but this has not yet been demonstrated. While the



MLPCA appears to have removed key legal impediments to MLA, only effective implementation of the CMA, as amended, will demonstrate a lack of practical impediments.

There were a number of prosecutions and convictions for money laundering in 2013, although the exact figures are not available because there is no centralized system for compiling and collating such statistics. Between January and October 2014, the FIU referred 15 cases to the relevant law enforcement agencies for further investigation. The outcomes of those investigations, as well as the 15 referred to law enforcement during the same timeframe in 2013, are still pending.

Zimbabwe should continue to make progress on its AML/CFT regime and work to ensure its financial intelligence unit is fully operational and effectively functioning. Additionally, Zimbabwe should ensure that implementation of the MLPCA is underway.