



United States Department of State  
*Bureau for International Narcotics and Law  
Enforcement Affairs*

# **International Narcotics Control Strategy Report**

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Volume II

## **Money Laundering and Financial Crimes**

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# Table of Contents

## Volume II

<i>Common Abbreviations</i> .....	<i>iii</i>
<b>Legislative Basis for the INCSR</b> .....	<b>1</b>
<i>Introduction</i> .....	<b>3</b>
<b><i>Bilateral Activities</i></b> .....	<b>4</b>
Training and Technical Assistance.....	4
<b><i>Board of Governors of the Federal Reserve System</i></b> .....	<b>5</b>
<b><i>Department of Homeland Security</i></b> .....	<b>6</b>
Customs and Border Protection.....	6
Homeland Security Investigations .....	6
<b><i>Department of Justice</i></b> .....	<b>8</b>
Drug Enforcement Administration .....	8
Office of Overseas Prosecutorial Development, Assistance and Training; the Asset Forfeiture and Money Laundering Section; and the Counterterrorism Section .....	8
<b><i>Department of State</i></b> .....	<b>11</b>
International Law Enforcement Academies .....	13
<b><i>Department of the Treasury</i></b> .....	<b>15</b>
Financial Crimes Enforcement Network.....	15
Internal Revenue Service, Criminal Investigative Division.....	15
Office of the Comptroller of the Currency.....	17
Office of Technical Assistance .....	17
<b><i>Federal Deposit Insurance Corporation</i></b> .....	<b>20</b>
<b><i>Treaties, Agreements, and Asset Sharing</i></b> .....	<b>21</b>
<b><i>Multilateral Organizations and Programs</i></b> .....	<b>23</b>
The Financial Action Task Force and FATF-Style Regional Bodies.....	23
The Organization of American States Inter-American Drug Abuse Control Commission Group of Experts to Control Money Laundering.....	25
United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism .....	26
<b><i>Major Money Laundering Countries</i></b> .....	<b>32</b>
<b>Countries and Jurisdictions Table</b> .....	<b>36</b>
Comparative Table Key .....	37
<b>Comparative Table</b> .....	<b>40</b>
INCSR Volume II Template Key .....	51
<b><i>Countries/Jurisdictions of Primary Concern</i></b> .....	<b>55</b>
<i>Afghanistan</i> .....	55
<i>Antigua and Barbuda</i> .....	57
<i>Argentina</i> .....	60
<i>Australia</i> .....	62
<i>Austria</i> .....	65
<i>Bahamas</i> .....	67
<i>Belize</i> .....	69
<i>Bolivia</i> .....	71
<i>Brazil</i> .....	73

<i>British Virgin Islands</i> .....	75
<i>Burma</i> .....	77
<i>Cambodia</i> .....	80
<i>Canada</i> .....	82
<i>Cayman Islands</i> .....	84
<i>China</i> .....	86
<i>Colombia</i> .....	89
<i>Costa Rica</i> .....	92
<i>Curacao</i> .....	94
<i>Cyprus</i> .....	97
<i>Dominican Republic</i> .....	102
<i>France</i> .....	104
<i>Germany</i> .....	106
<i>Greece</i> .....	109
<i>Guatemala</i> .....	111
<i>Guernsey</i> .....	114
<i>Guinea-Bissau</i> .....	116
<i>Haiti</i> .....	118
<i>Hong Kong</i> .....	121
<i>India</i> .....	123
<i>Indonesia</i> .....	125
<i>Iran</i> .....	127
<i>Iraq</i> .....	131
<i>Isle of Man</i> .....	133
<i>Israel-West Bank/Gaza</i> .....	135
<i>Italy</i> .....	139
<i>Japan</i> .....	141
<i>Jersey</i> .....	144
<i>Kenya</i> .....	146
<i>Latvia</i> .....	150
<i>Lebanon</i> .....	152
<i>Liechtenstein</i> .....	155
<i>Luxembourg</i> .....	157
<i>Macau</i> .....	159
<i>Mexico</i> .....	161
<i>Netherlands</i> .....	163
<i>Nigeria</i> .....	165
<i>Pakistan</i> .....	168
<i>Panama</i> .....	171
<i>Paraguay</i> .....	173
<i>Philippines</i> .....	176
<i>Russia</i> .....	178
<i>Singapore</i> .....	181
<i>Somalia</i> .....	183
<i>Spain</i> .....	186
<i>St. Maarten</i> .....	188
<i>Switzerland</i> .....	191
<i>Taiwan</i> .....	193
<i>Thailand</i> .....	195
<i>Turkey</i> .....	197
<i>Ukraine</i> .....	199
<i>United Arab Emirates</i> .....	201
<i>United Kingdom</i> .....	203
<i>Uruguay</i> .....	205
<i>Venezuela</i> .....	208
<i>Zimbabwe</i> .....	210

***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	U.S. 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
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPMML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention

UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development
USG	United States Government

# **MONEY LAUNDERING AND FINANCIAL CRIMES**

## Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's "International Narcotics Control Strategy Report" (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended ((the FAA), 22 U.S.C. § 2291). The 2014 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 2014 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

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<sup>1</sup> The 2014 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 2014 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.

banks and traditional financial institutions to other non-financial businesses and professions and 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 2013:**

**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, 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 “2014 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/combating the financing of terrorism (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 for which 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 2013, 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 2013, 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, terrorism 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 an AML 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 terrorism financing. The FRB monitors its supervised financial institutions' conduct, including domestic supervised organizations, for AML and OFAC compliance.

Internationally, during 2013, 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 Quito, Ecuador. Countries participating in these FRB initiatives were Armenia, Aruba, Bahamas, Bahrain, Bolivia, Brazil, Canada, Chile, Costa Rica, Ecuador, Ghana, Haiti, Honduras, Hong Kong, India, Kuwait, Malawi, Malaysia, Nigeria, Philippines, Portugal, Russia, Saudi Arabia, Singapore, Slovakia, and South Korea.

Due to the importance 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. 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 2013, Customs and Border Protection (CBP) delivered a course on bulk cash smuggling in Thailand. The workshop covered various topics, including the host 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, where actual operations were conducted at an international airport having connecting flights between America and the host country. The goal was to facilitate actual cash seizures as well as the identification of individuals and organizations engaged in this activity.

### ***Homeland Security Investigations***

In 2013, Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), provided financial investigations training to over 2,500 foreign law enforcement officers; regulatory, intelligence, and administrative agencies; judicial authorities; and bank and trade officials from over 50 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. The Illicit Finance and Proceeds of Crime Unit (IFPCU) 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 2013, the IFPCU conducted 32 CBFIT training events in several countries, including Afghanistan, Brazil, Colombia, Iraq, Kenya, Morocco, Panama, Paraguay, and United Arab Emirates.

#### ***Resident 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 (R/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 2013, HSI deployed 13 subject matter experts to serve as advisors under the R/CBFIA program in Afghanistan, Argentina, Brazil, Jordan, Malaysia, Morocco, Pakistan, Panama, Paraguay, Philippines, United Arab Emirates, and other countries.

### ***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. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems have also been used in terrorism financing. TTUs generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, 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 provided equipment and increased operational support to these TTU partners to ensure the network's successful development.

In 2013, HSI updated the technical capabilities of existing TTUs and trained TTU and financial intelligence unit personnel from Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, and Paraguay. Additionally, HSI strengthened its relationship with the TTUs by deploying temporary and permanent personnel overseas to work onsite and provide hands-on training. These actions have continued to facilitate information sharing between the U.S. and foreign TTUs, increased their effectiveness, and enhanced joint criminal investigations.

## **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 among 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 governmental 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.

During 2013, FO conducted numerous international seminars for hundreds of foreign law enforcement and military counterparts to strategize regarding effective techniques to be utilized in financial investigations. Some of the foreign officials briefed by FO include representatives from Colombia, Guatemala, Italy, and the Netherlands. During 2013, FO conducted seminars in Dubai, United Arab Emirates; France; Japan; Peru; and South Korea. These 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 2013, OPDAT, AFMLS, and NSD met with and provided presentations to more than 121 international visitors from more than 19 countries on AML and/or CFT topics through the State Department-led International Visitors Leadership Program. 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 2013, 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 2013 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 Algeria, Brazil, China, Malaysia, Taiwan, the United Arab Emirates (UAE), and Vietnam.

AFMLS and OPDAT designed a five-course curriculum on Financial Investigations and Asset Recovery focusing on Egypt, Tunisia, Yemen, and Libya. Due to security concerns, there have been delays, but in 2013, DOJ AFMLS/OPDAT delivered three courses in Egypt and one in Yemen. The program will continue until January 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 effort, OPDAT, AFMLS, and NSD work as integral parts of the U.S. Interagency Terrorist Financing Working Group (TFWG), chaired by the State Department.

In 2013, the TFWG supported seven RLAs, located in Algeria, Bangladesh, Iraq, Kenya, Panama, 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 2013 include assistance to the Governments of Bangladesh, Indonesia, Pakistan, and Turkey on the development of AML/CFT legislation; as well as assistance with Bangladesh's successful application for membership in the Egmont Group of Financial Intelligence Units. Additionally, 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, Cyprus, Egypt, Indonesia, Jordan, Kenya, Mauritania, Niger, Nigeria, the Philippines, Qatar, Turkey, and the UAE.

## 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 2013, INL-funded training was delivered to more than 100 countries. Supported by and in coordination with the U.S. Department of State (DOS), 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 co-chair the interagency Terrorist Finance Working Group (TFWG), and implement a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries 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 2013, the TFWG 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 2013, INL also provided support to the UN Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering conferences and providing short-term

training courses, GPML's mentoring program provides advisors on a long-term basis to specific countries or regions. GPML mentors provided assistance to Horn of Africa countries targeted by the U.S. East Africa Counterterrorism Initiative and have focused on providing support 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 monitored 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 financial 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 Inter Governmental Action Group against Money Laundering in West Africa (GIABA), the Financial Action Task Force for South America (GAFISUD), the 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*

The mission of the regional International Law Enforcement Academies (ILEAs) is to support emerging democracies; help 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 approximately 50,000 students from Africa, Europe, Asia, and 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 – 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 DOS coordinates with the DOJ, DHS, and Department of the 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 approximately 630 students in 2013.

**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 approximately 1,220 students in 2013.

**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 approximately 1,450 students in 2013.

**Global.** ILEA Roswell, New Mexico, United States 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 graduates of regional Academies in Budapest, Bangkok, Gaborone, and San Salvador. ILEA Roswell trained approximately 450 students in 2013.

**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 also supports an associate Regional Training Center (RTC) located in Lima, Peru. The RTC augments the delivery of region-specific training for countries in the Southern Cone and Andean Regions. ILEA San Salvador trained approximately 1,540 students in 2013.

## **Department of the Treasury**

### ***Financial Crimes Enforcement Network***

The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit (FIU). In 2013, FinCEN hosted representatives from a variety of foreign government agencies, focusing on topics such as money laundering trends and patterns, information security, virtual currency, the U.S. AML/CFT regime, and other topics. A number of these visitors were participants in the U.S. Department of State's International Visitor Leadership Program.

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

FinCEN regularly engages with foreign FIUs to exchange information on operational practices and issues of mutual concern. The participants in these exchanges share ideas, innovations, and insights that lead to improvements at their home FIUs in such areas as analysis, information flow, and information security, plus deeper and more sustained operational collaboration. In 2013, FinCEN conducted an orientation session for the FIU of Kenya, as well as analyst, regulatory, and other expanded operational exchanges and engagements with the FIUs of Afghanistan, Azerbaijan, Colombia, Ghana, India, Malaysia, Mexico, Mauritius, Niger, Pakistan, Russia, Thailand, and the UK. FinCEN also supported various workshops for law enforcement officials, prosecutors, and judges from a number of countries within the Western Hemisphere.

### ***Internal Revenue Service, Criminal Investigative Division***

For calendar year 2013, the Internal Revenue Service, Criminal Investigation (IRS-CI) continued its involvement in international training and technical assistance efforts designed to assist international law enforcement officers in detecting tax, money laundering, and terrorism financing crimes; and preventing public corruption. With funding provided by the U.S. Department of State and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs to international law enforcement agencies.

#### ***Financial Investigative Techniques Training***

IRS-CI conducted Financial Investigative Techniques (FIT) courses funded by an interagency agreement between the Department of State (DOS) and IRS-CI. These courses were tailored to the countries' individual legal authorities and training needs, and used extensive practical

exercises to cover topics such as direct and indirect proof of income, investigative skills, and the financial aspects of an investigation. Courses were held in Paraguay, for participants from Argentina, Brazil, and Paraguay; the Philippines; Australia, for 40 participants from Australia, Cook Islands, and New Zealand; Mauritius, for 24 participants; Panama, for 30 participants from Costa Rica and Panama; and in China, for 58 participants.

In Cambodia, the IRS-CI conducted two one-week Intermediate FIT courses which focused on money laundering, public corruption, and terrorism financing. The training was funded through a memorandum of understanding between the Department of Defense-sponsored Joint Interagency Task Force West (JIATFW) and IRS-CI. This training was the culmination of a long-term training initiative in Cambodia between IRS-CI and JIATFW. The 70 participants previously attended an IRS-CI Basic FIT course and were selected because they had excelled in the prior class and demonstrated they could benefit from additional, more complex training.

The IRS-CI assisted with a one week FIT in El Salvador sponsored by the Department of Treasury's Office of Technical Assistance. Thirty representatives from various law enforcement and regulatory agencies from El Salvador attended the training.

In conjunction with the Department of Justice Overseas Prosecutorial Development Assistance and Training (OPDAT), IRS-CI conducted FIT training in Serbia that was attended by 33 participants.

### ***International Law Enforcement Academy Training***

IRS-CI provided instructor support for the Law Enforcement Leadership Development programs at the International Law Enforcement Academies (ILEA) located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; San Salvador, El Salvador; and, the satellite office in Lima, Peru. Per the ILEA concept, participants from numerous regional countries attended.

### ***Other Training Initiatives***

IRS-CI delivered additional training programs that were funded through various sources.

In the United Arab Emirates, IRS-CI assisted the FBI in training 22 participants in a one-week Terrorist Financing/Money Laundering course.

IRS-CI assisted OPDAT in delivering training to 47 Mexican government officials on Financial Analysis in Money Laundering Investigations. The course provided Mexican federal prosecutors and investigators information on financial investigative techniques for money laundering and financial investigations.

Sponsored by the Organization for Economic Cooperation and Development, IRS-CI participated as part of an international faculty to present "Capacity Building Program for Criminal Tax Investigators Foundation Course: Conducting Financial Investigations." The

course was an interactive, four-week program which gave participants an in-depth knowledge of a wide range of issues faced by criminal tax investigators investigating illicit financial activities. Thirty-three officials from 29 countries attended.

Using funding provided by the DOS' Bureau for International Narcotics and Law Enforcement Affairs, IRS-CI conducted a four-day Fraud and Public Corruption Course in Bangkok, Thailand, and a two-week Vetted Unit – Advanced FIT course. This training combined financial, investigative, and undercover techniques with situational risk assessments using a mock investigation and various practical exercises, and was attended by 22 criminal investigators from Colombia and Mexico.

### ***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 2013, 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 2013 school was attended by foreign supervisors from Australia, Belgium, Canada, China, Hong Kong, India, Indonesia, Nigeria, Philippines, Singapore, South Korea, South Africa, Turkey, and Uganda. 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 2013 by participating with other federal banking agencies in regulator panels at the Association of Certified Anti-Money Laundering Specialists' 12th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

In 2013, 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 subject-matter teams focused on technical assistance to governments to promote financial sector development. 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 direct appropriations funding from the U.S. Congress. Additional funding sources include the U.S. State Department, 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.

The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to develop compliant AML/CFT regimes. In that context, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. The ECT methodology addresses the full array of AML/CFT technical assistance needs. To ensure successful outcomes, its 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 2013, following these principles and methods, the ECT delivered technical assistance in Burma, Cambodia, Costa Rica, El Salvador, Ghana, Guatemala, Guyana, Honduras, Jamaica, Kosovo, Moldova, the Palestinian Authority, Saudi Arabia (including Yemeni participants), Suriname, Turkmenistan, and Vietnam. Representative counterpart accomplishments supported by that technical assistance include the following: in what was described as the largest online money laundering prosecution in U.S. history, Costa Rican prosecutors and investigators successfully coordinated with U.S. authorities to take down an online money transfer business operating from Costa Rica and froze approximately \$21.5 million deposited in Costa Rican banks as well as other assets linked to this complex international money laundering operation; in Ghana, referrals by the FIU to the organized crime office rose from just two in 2009 to 746 as of mid-2013; following a train-the-trainer model of technical assistance, the Kosovo police now are using certified instructors to independently deliver financial investigations training to other

police officers, customs officers, tax administration agents, and FIU staff; and, trained bank supervision staff in Ghana, Haiti, Moldova, Suriname, and Turkmenistan are now conducting routine AML/CFT examinations using manuals specific to country risk.

## **Federal Deposit Insurance Corporation**

In 2013, 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 Association of Supervisors of Banks of the Americas (ASBA), the FDIC conducted an AML/CFT training session for 36 representatives from Belize, Costa Rica, El Salvador, Honduras, Mexico, Nicaragua, Paraguay, and the Dominican Republic. The training addressed current trends and methodologies, the AML examination process, suspicious activity monitoring, customer due diligence, and AML compliance issues related to higher risk institutions, products, services, customers, and geographical locations.

The FDIC also provided significant input to ASBA's AML/CFT survey. The survey covered topics including, but not limited to, legal and regulatory frameworks, AML/CFT regime, financial structure of the U.S. system, supervision (onsite and offsite) of regulated entities, enforcement authorities, as well as information access and confidentiality. The information obtained from the survey was used to develop AML/CFT best practices for ASBA members. Additionally, the FDIC contributed to the development of international guidance through the Basel Committee on Banking Supervision's AML/CFT Expert Group.

Finally, the FDIC held several meetings and discussions with representatives from the Deposit Insurance Corporation of Japan. Topics included AML examination policies and procedures, as well as the risk-based approach to customer due diligence regarding politically exposed persons, beneficial ownership, and correspondent banking.

## **Treaties, Agreements, and Asset Sharing**

### *Treaties*

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and related matters. In money laundering cases, they can be extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, are in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Canada, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius, and St. Maarten), Nigeria, Panama, Philippines, Poland, Romania, Russia, 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. In 2013, the United States entered into an MLAT with the Kingdom of Jordan, but it is not yet in force. A mutual legal assistance agreement has been signed by the United States but not yet brought into force with Colombia. 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, as well as a MLAA between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. 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 2013, the international asset sharing program administered by the Department of Justice shared \$248,869,984 with 43 countries. In FY 2013, DOJ shared a total of \$877,697 with eight countries and shared with Uruguay 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, and Venezuela.

From FY 1994 through FY 2013, the international asset-sharing program administered by the Department of Treasury shared \$34,916,198 with foreign governments that cooperated and assisted in successful forfeiture investigations. Recipients of shared assets include: Aruba, Australia, the Bahamas, Brazil, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Mexico, the Netherlands, Nicaragua, Palau, Panama, Portugal, Qatar, St. Vincent & the Grenadines, and Switzerland.

## **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***

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***

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 29 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, Honduras, Jamaica, Montserrat, Nicaragua, 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***

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. Temporary members, designated by the FATF for a two-year membership, are currently Austria and France.

### ***The Eastern and Southern Africa Anti-Money Laundering Group***

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***

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, Russia, Tajikistan, Turkmenistan, and Uzbekistan.

### ***The Financial Action Task Force on Money Laundering in South America***

The Financial Action Task Force on Money Laundering in South America (GAFISUD) was established in 2000. The 15 GAFISUD members are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, and Uruguay.

### ***Inter Governmental Action Group against Money Laundering in West Africa***

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***

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, is responsible for addressing illicit drug trafficking and related crimes, including money laundering. CICAD's training programs seek to improve and enhance the knowledge and capabilities of judges, prosecutors, public defenders, law enforcement agents, and financial intelligence unit (FIU) analysts to detect, investigate and prosecute these crimes. In 2013, CICAD continued its activities throughout the Americas, impacting over 800 participants from relevant judicial, governmental, and private institutions who were trained in the detection, investigation, and prosecution of money laundering cases. CICAD also participated in Financial Action Task Force against Money Laundering in South America (GAFISUD) asset recovery network meetings and the GAFISUD plenary in Buenos Aires. 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.

### ***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. During 2013, the representatives met in both Washington, D.C. and Brasilia. Discussion groups were held and papers prepared on a variety of anti-money laundering subjects including comparative legislative studies of countries of the hemisphere dealing with the administration of seized and confiscated assets; best practices in the coordination and integration of FIUs and the protection of FIU information; asset investigations; international cooperation; AML/CFT risk factors; and recommendations to improve AML systems in the OAS member states.

### ***Capacity Building***

In 2013, CICAD designed and implemented a workshop for prosecutors and law enforcement agents on special investigative techniques (SIT). Through numerous experiences and cases, the training explored the characteristics of the SIT, their complexities and risks, and best practices to achieve optimum preventive and judicial results. SIT workshops were held for a total of 124 participants in Nicaragua, Honduras, and Peru. CICAD also organized an AML course for judges and prosecutors. The training was held in Peru and El Salvador and explored elements for analysis and practical problem solutions concerning investigation of money laundering cases.

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

In 2013, within the framework of the Seized and Forfeited Asset Management project, known by its Spanish acronym BIDAL, there were various activities and training sessions involving seized and forfeited assets. They include sponsorship of a technical visit of officials from El Salvador to Columbia to discuss experiences in the management of seized and confiscated assets; and

conferences and workshops in the Dominican Republic, Costa Rica, Honduras, Peru, Paraguay, Mexico, and Uruguay with a total of over 300 participants, including judges, prosecutors, and law enforcement officers. These workshops covered the investigation and recovery of assets and their management.

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

As part of CICAD's agreement to assist the Government of Peru with its AML/CFT implementation plan there were various technical assistance initiatives in Peru, including a diagnostic mission for the development of the Financial Intelligence Unit of the Council of Legal State Defense; a course on AML/CFT for judges and prosecutors; the development of public/private sector dialog and training; workshops on SIT and investigations; and the development of a mock trial of a money laundering case. The public/private sector dialogue program promotes public (justice)/private (financial) sector dialogue and seeks to ensure the justice and financial sectors effectively collaborate. The mock trial workshop was attended by 80 officers from the State's Legal Defense Council, the Financial Intelligence Unit, the National Police of Peru, prosecutors, and members of the judiciary. This exercise promoted interdisciplinary and interagency discussion, while enhancing participants' performance by applying best practices for investigating and for intervening in public and oral trials.

## ***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 2013, GPML provided long-term assistance in the development of AML/CFT programs to 45 jurisdictions. GPML also delivered 44 training, policy development, and awareness raising activities organized worldwide; 14 were at the international level, often in close partnership with regional or multilateral organizations. GPML trained 1,086 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 2013, 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 2013, 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. Early in 2013, the mentor launched an ARINSA website to facilitate provision of technical assistance among its members. The mentor also has supported efforts to launch regional asset forfeiture networks for prosecutors and financial investigators in Asia Pacific and West Africa. The mentor also trained Zambia and Mauritius in AML/asset forfeiture bilaterally and provided drafting assistance to Namibia.

In West Africa, GPML's main achievements in 2013 include the strengthening of the AML/CFT framework and operational capacities, particularly the 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).

GPML's mentor is also involved in the establishment of a CARIN-style regional network for prosecutors and financial investigators in West Africa (ARIN-WA).

The World Bank/GPML mentor based in Hanoi continued to strengthen operational capacities in Burma, Cambodia, Laos, and Vietnam. In Vietnam, the mentor delivered several training workshops on cash smuggling, AML/CFT investigation, and awareness raising, as well as on the recent changes to the FATF standards. As a result of the GPML's mentoring, Vietnam finally amended its legal framework to meet international standards and corrected several noted deficiencies. In Cambodia, the mentor delivered a four-week training program comprised of basic AML/CFT investigation techniques, advanced AML/CFT techniques, train-the-trainer, and the delivery of the basic course by the new trainers. The mentor also assisted in the development of Cambodia's National AML/CFT Strategy, adopted in March 2013. Four workshops were also delivered to Cambodian judges and prosecutors on the new AML/CFT provisions. The Mekong mentor also assisted in the launch of the CARIN-style regional network for prosecutors and financial investigators in Asia Pacific (ARIN-AP).

### ***GPML Initiatives***

**Illicit Financial Flows:** In 2013, the tracking of illicit financial flows linked to piracy was a high priority. The focus was on Somalia and the Horn of Africa. GPML continued to support the work of the Contact Group on Piracy off the Coast of Somalia Working Group 5. In 2013, GPML completed the UNODC-World Bank-INTERPOL study on illicit financial flows from piracy (*Pirate Trails*) that was published in November 2013. UNODC GPML supported the Somali authorities in their efforts to register money or value transfer services (MVTs) and improve identification of MVTs customers in Somaliland, Puntland, and with the Federal Government in Mogadishu.

GPML has taken the lead in combating financial flows to and from Afghanistan linked to illicit drug production and trafficking. In 2013, under the umbrella of the Paris Pact Initiative, GPML conducted a third Expert Group meeting in The Hague. GPML also recruited an Illicit Financial Flows (IFF) Adviser to work specifically on the Afghan opiates typology research and the detection and tracing of Afghan-opiates illicit financial flows. The IFF Adviser is also co-chairing the Typology Working Group focused on these topics. The IFF Adviser supported a UNODC regional workshop, gathering all Central Asian countries, Afghanistan, Iran, and Pakistan, by providing operational insights into areas of asset identification, seizure, and practical conduct of AML enquiries.

Throughout 2013, GPML worked with the UNODC Global Programme on Wildlife and Timber Crime on a joint initiative on the illicit financial flows deriving from wildlife and timber trafficking. In this regard, GPML is planning an inter-regional workshop, gathering practitioners from Southeast Africa and Southeast Asia, to be held in May 2014.

**Financial Intelligence Unit Analyst (FIUA) Course:** This training course is an opportunity for FIU analysts to develop knowledge and skills in the analysis process and the development of financial intelligence. The course focuses on analysis of suspicious transactions related to possible money laundering and terrorism financing; and 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 2013, the training was delivered at the regional level for Burkina Faso, Capo Verde, Mali, Mauritania, Niger, and Pakistan. A national FIUA course was also delivered in Ramallah, Afghanistan. Regional AML/CFT and FIU training also took place in West Africa in close cooperation with the FIUs in each country, thus adding to the implementation of their work plans, and in coordination with the GIABA.

**Mock Trials:** The AML/CFT Mock Trial Program is a key training activity, designed to support and enhance judiciary capacities in dealing with complex financial crime cases. Its long-term objective is also to develop a methodology and a prototype of mock trials that could be used in other developing countries. In 2013, GPML delivered the training for judges and prosecutors of Cambodia, Mali, and Senegal.

**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 designed upon legal and procedural processes in the country of training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches, and undertake interviews. In 2013, training was delivered in Cambodia, Tanzania, and Vietnam.

**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 2013, the course was delivered in Antigua (for Anguilla, Antigua, BVI-Tortola, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines), Senegal, and Vietnam.

**Development of AML/CFT Experts/Trainers:** GPML commenced its project to imbed AML/CFT curricula into police and prosecution training institutions. This initiative involves design and development of AML/CFT training modules and the development of national AML/CFT subject matter experts, through a series of train-the-trainer and technical workshops. Following training in 2012, Tunisian authorities have since incorporated the modules in the curriculum of their national training academies and established an informal AML/CFT Trainers task force. The GPML mentor in Cambodia delivered a similar program.

**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.

**AML/CFT Advisory Services and Model Legislation:** In 2013, the UNODC, the Commonwealth Secretariat, and the IMF started the process to update the current common law model law. The GPML mentor in South Africa also worked on the drafting of an asset

management manual. In 2013, legislative drafting assistance was provided to Malawi, Mongolia, Palau, Tanzania, and Zimbabwe.

**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. Major enhancements were made to IMoLIN in 2013, and the updated website was launched in November 2013. The website now includes full text search functionality and a case law database.

## *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 139 FIUs in 2013. The FIUs of Algeria, Bangladesh, Bolivia, Burkina Faso, Holy See (Vatican City State), Seychelles, Togo, and Trinidad and Tobago joined the Egmont Group in 2013.

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 139 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. The Egmont Group's secure Internet system permits members to communicate with one another via secure e-mail, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools, and technological developments.

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 2013, the 139 members of the Egmont Group are the FIUs of Afghanistan, Albania, Algeria, Andorra, 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, Bulgaria, Burkina Faso, Cameroon, Canada, Cayman Islands, 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, Gibraltar, Greece, Grenada, Guatemala, Guernsey, the Holy See (Vatican City State), Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, 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, 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. Vincent and the Grenadines, Sweden, Switzerland, Syria, Taiwan, Tajikistan, 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 institutions involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2014 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." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Thus, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the AML measures taken. 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. 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. In such jurisdictions, quick, continuous, and effective AML efforts by the government are critical.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of several factors that may include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crimes; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) the ways in which the U.S. government

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 terrorism financing, terrorism 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." While 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," they too must undertake efforts to develop or enhance their AML regimes. Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

### ***Vulnerability Factors***

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of 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 terrorism financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or supervisors.
- 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 2013**

Jurisdiction moving from the “Other Jurisdictions Monitored” column to the “Jurisdiction of Concern” column: Benin

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 terrorism

financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorism 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***

<b>Countries/Jurisdictions of Primary Concern</b>		<b>Countries/Jurisdictions of Concern</b>		<b>Other Countries/Jurisdictions Monitored</b>	
Afghanistan	Latvia	Albania	Malaysia	Andorra	Mali
Antigua and Barbuda	Lebanon	Algeria	Marshall Islands	Anguilla	Malta
Argentina	Liechtenstein	Angola	Moldova	Armenia	Mauritania
Australia	Luxembourg	Aruba	Monaco	Bermuda	Mauritius
Austria	Macau	Azerbaijan	Mongolia	Botswana	Micronesia FS
Bahamas	Mexico	Bahrain	Montenegro	Brunei	Montserrat
Belize	Netherlands	Bangladesh	Morocco	Burkina Faso	Mozambique
Bolivia	Nigeria	Barbados	Nicaragua	Burundi	Namibia
Brazil	Pakistan	Belarus	Peru	Cabo Verde	Nauru
British Virgin Islands	Panama	Belgium	Poland	Cameroon	Nepal
Burma	Paraguay	Benin	Portugal	Central African Republic	New Zealand
Cambodia	Philippines	Bosnia and Herzegovina	Qatar	Chad	Niger
Canada	Russia	Bulgaria	Romania	Congo, Dem Rep of	Niue
Cayman Islands	Singapore	Chile	Saudi Arabia	Congo, Rep of	Norway
China, People Rep	Somalia	Comoros	Senegal	Croatia	Oman
Colombia	Spain	Cook Islands	Serbia	Cuba	Palau
Costa Rica	St. Maarten	Cote d'Ivoire	Seychelles	Denmark	Papua New Guinea
Curacao	Switzerland	Czech Republic	Sierra Leone	Dominica	Rwanda
Cyprus	Taiwan	Djibouti	Slovak Republic	Equatorial Guinea	Samoa
Dominican Republic	Thailand	Ecuador	South Africa	Eritrea	San Marino
France	Turkey	Egypt	St. Kitts and Nevis	Estonia	Sao Tome & Principe
Germany	Ukraine	El Salvador	St. Lucia	Ethiopia	Slovenia
Greece	United Arab Emirates	Ghana	St. Vincent	Fiji	Solomon Islands
Guatemala	United Kingdom	Gibraltar	Suriname	Finland	South Sudan
Guernsey	United States	Grenada	Syria	Gabon	Sri Lanka
Guinea Bissau	Uruguay	Guyana	Tanzania	Gambia	Sudan
Haiti	Venezuela	Holy See	Trinidad and Tobago	Georgia	Swaziland
Hong Kong	Zimbabwe	Honduras	Turks and Caicos	Guinea	Sweden
India		Hungary	Vanuatu	Iceland	Tajikistan
Indonesia		Ireland	Vietnam	Kyrgyz Republic	Timor-Leste
Iran		Jamaica	Yemen	Lesotho	Togo
Iraq		Jordan		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
Kenya		Laos		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, 2013, 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). 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.
- 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.
- 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 that 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 as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373.
- 15. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.
- 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 U.S., another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF 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	Y	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	N	Y	Y	Y	N	N	Y	N	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.

Govt/Jurisdiction	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
Aruba <sup>3</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	N
Bermuda <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	N
British Virgin Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

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

Actions by Governments	Govt/Jurisdiction																						
	Bulgaria	Burkina Faso	Burma	Burundi	Cabo Verde	Cambodia	Cameroon	Canada	Cayman Islands <sup>2</sup>	Central African Rep.	Chad	Chile	China	Colombia	Comoros	Congo, Dem. Rep. of	Congo, Rep. of	Cook Islands	Costa Rica	Cote 'Ivoire	Croatia	Cuba	
Criminalized Drug Money Laundering	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Criminalized ML Beyond Drugs	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Know-Your-Customer Provisions	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Report Large Transactions	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Report Suspicious Transactions (YPN)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Maintain Records Over Time	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Disclosure Protection - "Safe Harbor"	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Criminalize "Tipping Off"	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cross-Border Transportation of Currency	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Financial Intelligence Unit (*)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Intl Law Enforcement Cooperation	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
System for Identifying/Forfeiting Assets	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Arrangements for Asset Sharing	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Criminalized Financing of Terrorism	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Report Suspected Terrorist Financing	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ability to Freeze Terrorist Assets w/o Delay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
States Party to 1988 UN Drug Convention	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
States Party to Intl. Terror-Finance Conv.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
States Party to UNTOC	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
States Party to UNCAC	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
US or Intl Org Sanctions/Penalties	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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
Govt/Jurisdiction																					
Curacao <sup>3</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	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 Rep.	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
Dominica Rep.	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	Y	Y	Y	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	Y	N/A	N/A	N/A	N/A	N
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Govt/Jurisdiction	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
Gambia	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Gibraltar <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
Greece	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	Y	Y	Y	N	N
Guinea-Bissau	Y	Y	Y	Y	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong <sup>5</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

<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	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Isle of Man <sup>2</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel <sup>6</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	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	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Kenya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	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	N	Y
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Laos	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N

6

Area administered by the Palestinian Authority	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	N	N	N
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Govt/Jurisdiction	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
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau <sup>5</sup>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Mali	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritius	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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

Actions by Governments	Govt/Jurisdiction																				
	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																					
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten <sup>3</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Sao Tome and Principe	Y	Y	Y	N	Y	Y	N	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Singapore	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

	Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (XPN)	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																					
South Sudan	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Timor-Leste	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y	Y	N
Togo	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turks and Caicos <sup>2</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Uganda	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments																						
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YFN)	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>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>UAE</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	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	N	Y	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	N	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	N	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	
<b>Yemen</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
<b>Zambia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
<b>Zimbabwe</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	N	Y	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 2013, 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 2013, 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 2013, 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, 2013, 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 five 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. The rapid depreciation of the Iranian rial in October 2012 led to increased demand for U.S. dollars in Iran and a reported increase in cash smuggling from Afghanistan to Iran.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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:** Central Bank of Afghanistan (DAB), banks, registered money service businesses (MSBs), insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 631 in 2013  
**Number of CTRs received and time frame:** 2,094,803 in 2013  
**STR covered entities:** Banks, MSBs, hawaladars, insurance companies and securities dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

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

**RECORDS EXCHANGE MECHANISM:**

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

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

**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.

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 DAB reported that approximately \$4.6 billion in cash left Afghanistan via Kabul International Airport in 2011.

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 recently enacted its 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.

Using 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 should 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. Afghanistan should provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties.

Afghanistan's laws related to terrorism financing are not in line with international standards and do not criminalize all elements of the terrorism financing offense. 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 legal framework for identifying, tracing, and freezing terrorist assets; implement an adequate AML/CFT supervisory and oversight program for all financial sectors; establish and implement adequate procedures for the confiscation of assets related to money laundering; 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. Antigua and Barbuda's Office of National Drug Control and Money Laundering Policy (ONDCP) continues to strive to eradicate transnational drug trafficking, money laundering, and the financing of terrorism through a three-pronged approach in the areas of financial intelligence and investigation, AML/CFT compliance, and counternarcotics operations. The ONDCP's analysis

in 2013 shows that criminals exploit the financial system as financial institutions often fail to apply sufficiently rigorous due diligence investigation to suspicious transactions.

Casinos and internet gaming remain a strong presence in Antigua and Barbuda. Internet gaming companies are supervised through the ONDCP. Regulations require companies to incorporate as international business corporations and maintain a physical presence on the island. Additionally, domestic casinos must incorporate as domestic corporations. The Government of Antigua and Barbuda receives approximately \$3,120,000 per year from license fees and other charges related to the internet gaming industry. A nominal free trade zone (FTZ) in the country attempts to attract investment in areas the government deems a priority. Casinos and sports book-wagering operations in Antigua and Barbuda's FTZ are supervised by the ONDCP and the Directorate of Offshore Gaming.

Shell companies are not permitted in Antigua and Barbuda. All certified institutions are required to have a physical presence, which means the presence of at least one 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.

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

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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 funds, and money transmission services; credit card companies; issuers of travelers' checks, money market instruments, and financial and commodity-based derivative instruments; money brokers, money lenders, pawn dealers, and money exchangers; real property businesses, building societies, and trust businesses; casinos and Internet gaming and sports

betting enterprises; insurance businesses; travel agents; company service providers; dealers in high-value luxury items, jewelry, precious metals, cars and art; attorneys, notaries and accountants

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 138: January 1 – November 10, 2013

**Number of CTRs received and time frame:** 92: January 1 – November 10, 2013

**STR covered entities:** Banks, international offshore banking businesses, venture risk capital funds, and money transmission services; credit card companies; issuers of travelers' checks, money market instruments, and financial and commodity-based derivative instruments; money brokers, money lenders, pawn dealers, and money exchangers; real property businesses, building societies, and trust businesses; casinos and Internet gaming and sports betting enterprises; insurance businesses; travel agents; company service providers; dealers in high-value luxury items, jewelry, precious metals, cars and art; attorneys, notaries and accountants

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 9 in 2013

**Convictions:** 4 in 2013

**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:**

Recent amendments made to the Money Laundering Prevention Act, 2013 (MLPA) categorize human trafficking and migrant smuggling as money laundering predicate offenses.

In an effort to enhance the supervisory regime in Antigua and Barbuda, Section 7 of the MLPA was amended by the Money Laundering (Prevention) (Amendment) Act, 2013 to give full powers to the supervisory authority to comprehensively examine all departments within financial institutions for AML/CFT compliance. Section 7 authorizes the supervisory authority to impose sanctions and pursue court orders to compel financial institutions to grant access to all required records, documents, and information. Financial institutions also are subject to fines of 50,000 EC (approximately \$18,500) on summary conviction, and a penalty of 1,000 EC (approximately \$370) is assessed for each day the offense continues. Section 17 provides for the assessment of administrative penalties pursuant to the MLPA.

## Argentina

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

Argentina has a long history of capital flight and tax evasion. Traditionally, Argentina is an economy with strong links to U.S. currency. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against inflation and peso devaluation that commonly occur in the Argentine economy. Government restrictions on access to foreign exchange create a thriving black market for U.S. currency, with an unofficial exchange valuing the dollar more than 50 percent higher than the official government rate. Argentines hold billions of U.S. dollars outside the formal financial system, both offshore and in country, much of it legitimately earned money that was not taxed. Estimates of the size of the informal economy vary from 25 to 40 percent, though it is clear that a very significant amount of economic activity is taking place outside of government supervision. The general vulnerabilities in the system expose Argentina to a risk of terrorism financing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption; there was an increase in domestic drug consumption and production. Argentine officials also identify smuggling, corruption, and different types of fraud as major sources of illegal proceeds. The unofficial peso-dollar exchange market provides significant illicit revenue and opportunities for arbitrage. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the United States are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. U.S. law enforcement agencies consider the tri-border area (Argentina, Paraguay, and Brazil) to be a major source of smuggling, especially of pirated products.

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:* 35,705 in 2012

*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:* 20: January – September 2013

*Convictions:* 0: January – September 2013

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

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

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2011, Argentina passed Law 26.734, which criminalizes the financing of terrorist organizations, individuals, and acts, and increases monetary fines and prison sentences for crimes linked to terrorism financing. The Government of Argentina’s implementation of Law 26.734 remains mixed. To date, most applications of this law were targeted at individuals wanted for actions that took place during Argentina’s military dictatorship. In one case breaking with this pattern, in March 2013 the FIU reacted to reports that an individual under indictment was wanted for international terrorism-related crimes and exercised its power to freeze assets. To date, the FIU has not frozen terrorist assets based on intelligence it developed through its own investigations.

Argentina established a new prosecutorial unit to address money laundering and other financial crimes. A chief prosecutor oversees specially appointed ad hoc prosecutors focused on six operating areas: money laundering and terrorism financing; economic and bank fraud; capital markets; tax fraud and smuggling; insolvency and bankruptcy; and government related crimes. This prosecutorial unit signed a memorandum of understanding with the FIU promising closer cooperation and better information sharing. Opposition lawmakers noted the ad hoc method of appointing prosecutors makes them more likely to be politically dependent on the executive branch. Commentators have raised concerns about the prosecutorial independence of this new organization.

In an attempt to attract U.S. dollars held by nationals, Argentina instituted a voluntary tax compliance program that allowed undeclared U.S. dollars to be exchanged for certificates of deposits or bonds. The certificates of deposits were designed to be used in real estate transactions and could be redeemed for U.S. dollars after they were used in a commercial transaction. The bonds were designed to channel money into energy and infrastructure projects. Originally scheduled to run from June to September, the program was extended to the end of 2013, after attracting minimal interest from Argentine taxpayers.

Argentina continues to make substantial progress on its action plan to address AML/CFT deficiencies. Changes to the AML/CFT regime raise public awareness of AML efforts and improve the financial sector's approach to customer due diligence. While Argentina made progress, its assessment of suspicious transaction reports (STRs) has not shown the progress that many experts expected. The number of STRs the FIU receives increased dramatically over the past few years, but analysis of these reports and conversion to actionable intelligence continues to lag.

Technical deficiencies and challenges still remain in closing legal and regulatory loopholes. Most of the challenges Argentina now faces are in implementing laws and regulations in a proper, non-politicized manner. Going forward, the government should continue to address the implementation of these laws to demonstrate the effectiveness of its AML/CFT infrastructure. Argentina also should take steps to foster the principals of transparency and good governance; criminalize tipping off; foster a culture of AML/CFT compliance; combat corruption; insure the court system is efficient; and, build high ethical standards for police officers, prosecutors and judges, as well as professionals such as lawyers, accountants, and auditors.

## **Australia**

Australia has deep, liquid financial markets and is recognized as a leader in investment management, as well as areas such as infrastructure financing and structured products. Australia is a financial services hub within the Asia-Pacific region, supported by a number of government initiatives such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance are the largest sectors in the Australian economy. Australia has one of the largest pools of consolidated assets under management globally, valued at about AUD \$1.8 trillion (approximately \$1.6 trillion). It is also a significant destination for foreign direct investment.

According to the Australian Crime Commission, money laundering is a key risk to Australia. It is the common element in almost all serious and organized crime. Recent estimates suggest the level of money laundered in and through Australia is at least AUD \$10 billion a year (approximately \$8.9 billion). However, the full cost of money laundering to the Australian economy is likely to be much higher when lost tax revenues and the full scope of unreported proceeds of crime are taken into account.

A 2011 Australian Transaction and Reports Analysis Center (AUSTRAC) report 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 the following sectors: 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.

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:*** 44,062: July 2012 - June 2013  
***Number of CTRs received and time frame:*** 5,224,751: July 2012 - June 2013  
***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:*** 78: July 2012 - June 2013

***Convictions:*** 64: July 2012 - June 2013

***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 evaluation 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 Attorney General's Department is the policy agency responsible for the Anti-Money Laundering and Counter-Terrorism Financing Act of 2006 (AML/CFT Act) in collaboration with AUSTRAC, which administers the Act and is also the country's AML regulator and financial intelligence unit.

In previous years, only the figure for significant cash transaction reports (CTR) was reflected. For the first time in fiscal year 2013 reporting, the CTR total now includes threshold transaction reports submitted by entities regulated under the AML/CFT Act that also are regulated under the Financial Transaction Reports Act 1988. This reporting change accounts for the significant difference between these figures for 2012 and 2013.

Third-party deposits, which can be used as vehicles to facilitate money laundering, are legal in Australia. Authorities are working to limit the associated risks in Australia's financial system.

Australia's financial system benefits from its global best practices regulatory regime. 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. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas.

Australia's Criminal Assets Confiscation Taskforce brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The Taskforce should enhance the identification of potential asset confiscation matters and strengthen their pursuit.

## Austria

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs 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 ***civily:*** 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:*** 1,665 in 2012

***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:* 409 in 2012

*Convictions:* 11 in 2012

***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/dataoecd/22/50/44146250.pdf>

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

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. Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles.

Austrian banks have strict legal requirements regarding secrecy. Banks and other financial institutions must not divulge or exploit secrets 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 15 jurisdictions. This regulation is based, in part, on FATF statements on jurisdictions with AML/CFT deficiencies.

A January 2012 report issued by the Organization for Economic Co-operation and Development criticizes Austria’s AML controls, stating that Austria should implement stronger measures to fight cross-border corruption and money laundering. The report also singles out the Austrian Banker’s Association by citing the group as an obstacle to law enforcement investigations and also notes Austria’s gaming sector needs stricter monitoring.

During the last year, there was a significant drop in the number of STRs filed. In addition, the number of AML convictions in relationship to the amount of prosecutions is quite low.

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

## Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction, and the offshore financial sector. The Bahamas 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, gun 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 Whampoa, 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, 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 recently opened casino in Bimini that draws in customers from the United States via a new ferry service to Miami. The \$2.6 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort is scheduled to open in December 2014 on New Providence Island, and is set to be the largest casino in the Caribbean. Current law excludes Bahamian citizens, permanent residents, and temporary workers from gambling in The Bahamas. Illicit gaming operations based on U.S.-based lottery results and the internet, locally known as “web shops,” flourish in The Bahamas. A referendum that would have legalized web shop gaming failed in January 2013.

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

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

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

**RECORDS EXCHANGE MECHANISM:**

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

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

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of the Commonwealth of The Bahamas should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and to safeguard the financial system from possible abuses. Gaming will expand in 2014, due to the growth of casino gaming and possibly from the legalization of “web shop” gaming. With this expansion, the government should ensure proper safeguards are in place, and provide additional suspicious transaction report (STR) training. The financial intelligence unit should continue its outreach, training and coordination with Royal Bahamas Police Force financial investigators. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash and human smuggling; implementing the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; 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 inaugural meeting of the government's National Anti-Money Laundering Task Force was held in October. The 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 also will seek to engender a culture of AML in The Bahamas.

## Belize

While Belize is not a major regional financial center, it is an offshore financial center. In an attempt to diversify Belize's economic activities, the Government of Belize encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in the offshore financial sector.

Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZ). 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, recently started operating on the western border with Guatemala. The Corozal Commercial Free Zone 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.

As 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 May, and again in November 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 AML/CFT 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/terrorism financing risks emanating from Belize.

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:* 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:* 117: January 1 - November 25, 2013

*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:* 6: October 2012 – November 2013

*Convictions:* 6: October 2012 – November 2013

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Belize is a member of the 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:**

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

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

The prime minister and other government officials made public statements supportive of the U.S. Department of the Treasury's Office of Foreign Assets Control's 2013 designations of Belizeans, and all local banks comply and prohibit business with the designated entities. Belize's financial institutions were cited for not performing due diligence in screening their customers and prohibiting financial transactions with shell banks. The prime minister stated his intentions for the government to be compliant with international AML/CFT recommendations.

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. 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 15 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.

Informal exchange houses and non-registered currency exchanges are illegal.

In February 2013, the FATF removed Bolivia from its Public Statement following Bolivia's positive action to improve noted weaknesses.

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:* 30 in 2013  
*Convictions:* Not available

***RECORDS EXCHANGE MECHANISM:***

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

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

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

In July 2013, Bolivia's FIU (UIF) was readmitted into the Egmont Group of FIUs as a probationary member. Despite this endorsement, a continued lack of personnel in the UIF combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely

low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

In 2012, Bolivia enacted Law 262 and created the National Council for Combating Legitimization of Proceeds from Crime and Terrorist Financing. This law establishes policies, plans, and programs to prevent the use of illicit gains to finance terrorism and other criminal activities.

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 2013, 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 crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

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

Brazil has four free trade zones/ports (FTZs). The 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 on Money Laundering in South America (GAFISUD), 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. Between January and October 2013, 1,084,153 STRs/CTRs were filed.

The Government of Brazil achieved visible results over the last few years from investments in border and law enforcement infrastructure, executed with a view to gradually control the flow of goods, both legal and illegal, across Brazil’s land borders. Anti-smuggling and law enforcement efforts by state and federal agencies increased. Brazilian Customs and the Brazilian Tax Authority continue to take effective action to suppress the smuggling of drugs, weapons, and

contraband goods along the border with Paraguay. Due to the effective crackdown on the Friendship Bridge connecting Foz do Iguacu, Brazil, and Ciudad del Este, Paraguay, most smuggling migrated to other sections of the border. 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.

Brazil's Trade Transparency Unit, in partnership with the U.S. Immigration and Customs Enforcement, aggressively analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result, 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.

## **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 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 March 2011. The bulletin noted there were 45,666 active companies, seven licensed banks, 216 other fiduciary companies, and 2,627 investment businesses registered with the FSC. The banking sector has assets valued at \$2.4 billion as of September 2011. 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.

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 is a major target for drug traffickers, who use the area as a gateway to the United States. Drug trafficking in general is a serious problem.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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 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:* Not available  
*Number of CTRs received and time frame:* 59: January - June 2012  
*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:* Not available  
*Convictions:* 0

**RECORDS EXCHANGE MECHANISM:**

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

BVI is a member of the Caribbean Financial Action Task Force (CFATF), a 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:**

Earlier legislation strengthens due diligence requirements where a representative is acting on another person’s behalf, or when the customer is resident in another country, and extends regulation to money value transfer service operators. Although real estate agents, lawyers, other independent legal advisers, accountants, and dealers in precious metals and stones are covered by AML/CFT regulations, there appears to be no effective supervision to ensure compliance with AML/CFT requirements. The government should ensure requisite legislation and sufficient staffing resources are in place to address the continued lack of prosecutions.

In August 2012, the government increased the penalties and fines for breaches of the AML regime. Most maximum penalties were increased ten-fold with maximums now ranging from

\$250,000 - 500,000 when action is taken through the courts, as opposed to \$25,000 - \$40,000 previously. The FSC can now impose administrative fines up to \$100,000.

The British Virgin Islands 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 on May 17, 2012.

## 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. However, Burma's prolific drug production, the growing use of credit/debit cards connected to international financial institutions, and lack of transparency make it attractive for domestic, and possibly, international money laundering. While its underdeveloped economy remains unattractive as a destination to place funds, the low risk of enforcement and prosecution makes it potentially appealing to the criminal underground. Trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are also major sources of illicit proceeds.

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

Corruption is endemic in both business and government. State-owned enterprises and military holding companies 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 since 2011, involving a wider range of countries and business agents than in prior years, also provide opportunities for increased corruption and illicit activities. Over the past several years, Burma has enacted several reforms intended to reduce the banking sector's vulnerability to narcotics-related money laundering.

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.

In its October 18, 2013 Public Statement, the FATF notes that Burma has taken steps to improve its AML/CFT regime; however, Burma has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies. 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 November 2012, the U.S. also eased, to a large extent, the ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310. However, U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force. 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: Asia Green Development Bank, Ayeyarwady Bank, Myanma Economic Bank, and Myanma Investment and Commercial Bank.

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

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 37: January 1 - October 31, 2013  
*Number of CTRs received and time frame:* 191,834: January 1 - October 31, 2013

**STR covered entities:** Banks (including bank-operated money changing counters); GOB bodies such as the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department and Ministry of Mines; state-owned insurance company and small 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 held outside the formal banking system, although bank deposits have increased at a strong pace 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 likewise extremely weak. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct. Burmese law does not contain any customer due diligence (CDD) requirements, although the Central Bank (CB) issues guidelines for banks to follow and some entities implement CDD procedures under other, non-AML-related legal provisions. The government should draft new KYC/CDD rules and expand the number of organizations required to have such procedures.

Burma does not specifically criminalize terrorism financing or designate it as a predicate offense for money laundering, nor is terrorism financing an extraditable offense. In 2012, Burma removed its reservations to the extradition articles of several international conventions. Burma should continue implementing its action plan in order to address noted deficiencies, including by passing the draft Counter Terrorism Law (CT Law) to criminalize terrorism financing, establish procedures to identify and freeze terrorist assets, and further strengthen the extradition framework for terrorism financing. The CT Law was submitted for Parliamentary review at the end of 2013. The GOB also should seek to submit to Parliament in early 2014 a draft extradition law that it began drafting in October 2013.

Efforts to address widespread corruption are impeded by the military's influence over civilian authorities, including the police, especially at the local level. Low salaries create an incentive for

civil servants to seek bribes to supplement their incomes. A new anti-corruption law went into effect on September 17, 2013.

Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector. It also should strengthen the CDD measures included in the 2002 Control of Money Laundering Law (CMLL). Burma should update and strengthen the CMLL by passing the Anti-Money Laundering Law, a completed draft of which has been submitted to Parliament. The financial intelligence unit 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. In July, Burma took a major step to remove the CB from the operational control of the Ministry of Finance; it enacted a new law that grants the CB both independence and exclusive jurisdiction over monetary policy.

Burma became a party to the UN Convention against Corruption on December 20, 2012.

## 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; cash-based, dollarized economy; fast-growing formal banking sector; porous borders; loose oversight of casinos; and the limited capacity of the National Bank of Cambodia 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 also are another potential avenue to convert ill-gotten cash.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found 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 ***civily:*** 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:*** Not available

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

***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:*** Not available

***Convictions:*** Not available

***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, a FATF-style regional body. Its most recent mutual evaluation can be found at:

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

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

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 May 2013, the Government of Cambodia amended Articles 3, 29, and 30 of the AML/CFT law. The amended Article 3 clarifies the definitions of "property" and "predicate offense" by listing items which are considered "property" under the law and setting forth specific activities that constitute "predicate offenses." Cambodia has included terrorism financing as a predicate offense. The amended Article 29 provides guidance on the penal sanctions for both money laundering and terrorism financing offenses in much greater detail. The amended Article 30 clarifies the procedures to freeze and confiscate property; however, it is too early to judge the effectiveness of the procedures' implementation. Despite the above efforts, Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering; ensure

a fully operational and effectively functioning financial intelligence unit (FIU); and establish and implement effective controls for cross-border cash transactions. Given the high level of corruption, Cambodia also should require enhanced due diligence for domestic politically exposed persons (PEPs).

The primary enforcement and implementation concerns involve the willingness and ability of reporting entities to comply with, and law enforcement and regulatory bodies to enforce, money laundering laws and regulations. The government should work to increase the reporting of suspicious transaction reports (STRs) from reporting entities of all types and increase the capability of the nascent and understaffed FIU. Cambodia also should work to develop mechanisms to allow independent distribution of FIU analyses directly to the most appropriate law enforcement bodies as well as mechanisms 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. In 2012, the government issued a sub-decree to establish a National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), as a permanent and senior-level coordination mechanism for preventing and controlling money laundering and terrorism financing in Cambodia. The NCC has the authority to coordinate with all stakeholders and to make decisions on the prevention and control of money laundering and terrorism financing. The key role of the NCC is to ensure the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT efforts. The NCC has been active in putting forward legal and policy reforms to tackle the country's AML deficiencies.

Cambodia should work to strengthen control over its porous borders. Cambodia should design and implement effective operational procedures both within affected agencies as well as among agencies, and measure the effectiveness of these procedures on an ongoing basis. It must also provide training to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies, as well as 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 certainty that 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 ***civily:*** YES

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

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

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 79,294: April 1, 2012 - March 31, 2013  
***Number of CTRs received and time frame:*** 8,523,416: April 1, 2012 - March 31, 2013  
***STR covered entities:*** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; money services businesses; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

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

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

***RECORDS EXCHANGE MECHANISM:***

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

Canada is a member of the 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:***

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but a weak enforcement and conviction capability. Canada's financial intelligence unit, the Financial Transaction Reports Analysis Center of Canada (FINTRAC) made 919 disclosures to law enforcement and other government agencies from April 1, 2012 to March 31, 2013. Of these, 719 disclosures were money laundering related, 157 were terrorism financing or security threat related, and 43 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 who often plea bargain away difficult money laundering cases, instead prioritizing drug trafficking charges since such charges are viewed as having a stronger likelihood of conviction.

The possession of proceeds of crime 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 possession of criminal proceeds involving more than \$5,000. As such, possession of proceeds of crime is not considered to be a lesser offense and is equally effective in pursuing criminals and forfeiting their illicit assets. 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.

In January 2013 the Government of Canada amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to address deficiencies identified in Canada's AML/CFT regime relating to customer due diligence obligations. The changes 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 for money laundering or terrorism financing. The regulations will go into effect February 1, 2014.

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 March 31, 2013, the banking sector had \$1.63 trillion in assets. There were approximately 222 banks, 150 active trust licenses, 730 captive insurance companies, nine 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 2013 there were approximately 8,239 registered mutual funds, of which 404 were administered and 133 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 do 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.cfatf-gafic.org/downloadables/mer/Cayman\\_Islands\\_3rd\\_Round\\_MER\\_\(Final\)\\_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_(Final)_English.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While the Cayman Islands increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector; there has been only one conviction since 2006.

Registered agents of private trust companies are obligated to maintain ownership and identity information for all express trusts under their control. International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. In addition, there remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. The regulation of Master Funds (numbering 1,849 as of September 2012) under the Mutual Funds Law (2012 Revision) reduced the estimated number of unregulated funds. Funds failing to maintain identity information are subject to fines. 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 27 information exchange agreements.

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

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

officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector.

While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fund raising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities have also observed that money laundering crimes are spreading from the developed coastal areas such as Guangdong and Fujian provinces to less-developed, inland regions.

Criminal proceeds are generally laundered via methods that include: bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets such as real estate; the investment of illicit funds in lawful sectors; gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems.

China is not considered a major offshore financial center, but does have multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and more than 100 designated development zones. As part of China's economic reform initiative, China opened the new China (Shanghai) Experimental 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 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 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:*** 29,637,502 in 2012

***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/>

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

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

The Government of China has strengthened its preventative measures, with an emphasis on requiring financial institutions to collect and maintain beneficial ownership information and making the STR reporting regime more comprehensive. In early 2013, the People's Bank of China published new regulations requiring Chinese banks to rate clients' risks based on a variety of factors, including a client's location or nature of business.

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.

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

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. law enforcement agencies note the Government of 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, China'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. China's unwillingness and failure to provide seizure and forfeiture assistance increase the likelihood of the United States resorting to unilateral measures in cases where criminal forfeiture has been unavailable because no known defendants can be identified or returned to the United States for prosecution, thereby making civil forfeiture the only viable means to recover the criminal proceeds located in China.

China should expand cooperation with counterparts in the United States and other countries, and pursue international AML/CFT linkages more aggressively. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area. While China continues to make significant improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation remains lacking, particularly in the context of international cooperation.

## Colombia

While the Colombian government is a willing and able partner in AML/CFT efforts and despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money primarily from Colombia's illicit drug trade 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 Fuerzas Armadas Revolucionarias de Colombia (FARC) and the bandas criminales (BACRIM).

Casinos, the postal money order market, bulk cash smuggling, wire transfers, remittances, the securities markets in the United States and Colombia, electronic currency, prepaid debit cards, and illegal mining all are being utilized to repatriate illicit proceeds to Colombia. The trade of counterfeit items in violation of intellectual property rights is another method to launder illicit proceeds. The 104 free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation 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 systems. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad and are either smuggled into Colombia via Panama or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs, and customs duties. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated through corruption of Colombian oversight authorities.

In late 2012, Colombia created COLJUEGOS, the first independent consolidated authority to regulate the gaming industry. Indications are that much money laundering activity has moved to regionally-run lotteries called "chance." "Chance" currently has more transactions per day than all other financial transactions in the country combined. COLJUEGOS projects the revenue from gaming will triple in the next five years.

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:* 5,224: January - September 2013

*Number of CTRs received and time frame:* 8,346,494: January - September 2013

*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:* 67: January - October 2013

*Convictions:* 8: January - October 2013

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

Colombia is a member of the Financial Action Task Force in South America (GAFISUD), a 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. Regulatory institutions have limited analytical capacity and tools, and lack the technology to utilize successfully the vast amount of available data.

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. The Colombian Attorney General (Fiscalia) National Money Laundering & Asset Forfeiture Unit (UNEDLA) is responsible for investigating the country's money laundering and asset forfeiture cases with law enforcement partners from the Colombian National Police (CNP) and the Prosecutor General's investigative body, the Technical Intelligence Corps (CTI). The UNEDLA structural framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who then focus on the most serious cases. Although experienced, money laundering prosecutors would benefit from additional training, and investigators should have additional specialized financial training. Colombia should increase the number of judges specifically assigned to money laundering and asset forfeiture cases as there are only three asset forfeiture judges nationwide. Additionally, CTI continues to be plagued with corruption and has a significant turnover rate, including among senior management, making it difficult to formulate and achieve long-term objectives.

A relatively new organization, COLJUEGOS is unable to properly monitor the scope of the gambling industries' transactions. The staff is inexperienced and COLJUEGOS does not have the systems and processes in place to ensure the industry is transparent and in compliance.

Colombian law limited the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information and Operational Analysis (UIAF), to the Fiscalia only. In 2010, the former director and deputy director of the UIAF were jailed for alleged disclosure of sensitive information; recently, both were found innocent of the charges. New UIAF leadership 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, the Fiscalia's prosecutor, and the CNP's specialized judicial police units.

The UIAF recently implemented an assessment methodology to proactively generate tangible results in identifying criminal money laundering networks. Over the past two years, the UIAF detected illicit assets related to 251 Colombian investigations delivered by the Data Protection Center; the properties they identified for potential forfeiture investigation have an approximate commercial value of \$4.4 billion. In 2012, Colombia seized more than \$400 million of assets associated with drug trafficking and money laundering activities.

Since 2011, the UIAF worked with the Colombian financial sector to enhance the quality of STRs. The UIAF credits the recent increase in STRs to enhanced training that included recognizing red flags, using typologies to look for trends, and completing and submitting an STR. There was also an increase in reporting entities.

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 government signed an agreement with El Salvador and Honduras and anticipates conducting training for Central American countries in 2014. The UIAF is working with FinCEN and Mexico's FIU to conduct strategic tri-partite cases among the three countries.

Following the successful closure of the majority of problematic regulated money exchange houses in the late 2000s, money laundering organizations infiltrated Colombia's stock brokerage industry. The Financial Superintendency of Colombia worked with international experts to develop more stringent regulatory criteria in response to U.S. investigations implicating Colombian brokerage firms in large-scale money laundering operations. In 2012, Colombia extradited 11 individuals involved in a money laundering scheme through local stock brokerage firms in Colombia. Through this scheme, stock brokers in Colombia laundered in excess of \$6 million in narcotics proceeds, which originated in the United States and were laundered through bank accounts in Colombia. Dubbed Operation Stock Block by the IRS, this was the first successful bilateral effort targeting stock brokers involved in narcotics money laundering in Colombia.

In late 2012, the government seized bank accounts and real estate with an approximate value of \$6 million as a result of a U.S. federal bank fraud investigation. The subject of the investigation, Romel Esmail, fled from the United States to Colombia to avoid prosecution. Esmail used the proceeds of a mortgage fraud scheme to acquire assets throughout Colombia.

Colombia's 2013 Asset Forfeiture Reform Law streamlines the asset forfeiture process and is anticipated to reduce by half the forfeiture case processing time.

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 a 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 travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 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 travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

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

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

***RECORDS EXCHANGE MECHANISM:***

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

Costa Rica is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Once published, its most recent mutual evaluation will be found at: <http://www.gafisud.info/eng-evaluaciones.php>

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

While Costa Rica made substantial progress in enhancing its AML legal and regulatory frameworks, a recent 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. Pursuant to Costa Rican law, money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). This practice downplays the independent nature of the offense and greatly reduces the amount of potential money laundering prosecutions. 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 enacted a non-conviction based asset forfeiture law in 2009. However, the government only successfully pursued one case under this law. In November 2013, the President submitted to the National Assembly a proposal to improve non-conviction based asset forfeiture. The legislation would allow forfeiture of illicit assets without the need for an underlying criminal conviction, which would be a significant improvement to the current law that would enhance Costa Rica's ability to dismantle criminal organizations.

Costa Rica has a tax information exchange agreement with the United States. Additionally, Costa Rica fully cooperates 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. The U.S. Department of Justice alleged that the operation laundered approximately \$6 billion and described the case as the largest money laundering prosecution in history.

## **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 Council of Ministers of the Kingdom of the Netherlands. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal - the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder drug proceeds. Money laundering can occur through real estate purchases and international tax shelters. Another possible area of money laundering activity may be through wire transfers and cash transport among the island, the Netherlands, and other former Netherlands Antilles constituents. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

The worldwide financial recession continues to slow economic activity in the free zones, 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.

Curacao's offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, investment funds, and international finance companies. The exact size of this sector is not known, but it continues to decline in scale due to worldwide economic trends. Several international financial services companies relocated their businesses elsewhere because of damaging perceptions that the island is, or was, 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.

A Technology Exchange, CTEX, recently opened on Curacao. 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 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:** 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:** 3,764: January 1 – December 9, 2013

**Number of CTRs received and time frame:** 7,201: January 1 – December 9, 2013

**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:** 0

**Convictions:** 0

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a 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 Robbie Dos Santos, a member of the board of the Curacao Lottery Foundation and a major lottery operator. The Government of Curacao's cooperation with the U.S. government led to the freezing of over \$30 million of Dos Santos' assets in the United States. Dos Santos is reputedly a major financier of the Curacao political party Movementu Futuro Korsou (MFK), and reportedly has business ties to the controversial owner of Atlantis World Group (owner of several casinos in Curacao and St. Maarten), Francesco Corallo. Former Prime Minister Gerrit Schotte (MFK), the first prime minister elected after the dissolution of the Netherlands Antilles in 2010, is also actively being investigated for money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears unusual,

applying a broader standard than “suspicious;” or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU investigates the UTR and determines if it should be classified as a suspicious transaction report (STR). There were 13,553 UTRs filed in 2013, as of December 9. The head of the FIU resigned, effective January 1, 2014. It will be important for Curacao to fill that vacancy as soon as possible to avoid any gaps in leadership, which may affect the effectiveness of the FIU.

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. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases.

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 March 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles in 2010 and, as successor, to Curacao. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not been extended to Curacao.

## 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 administered 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 has worked to position itself as 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 50 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 December 2013, there were about 325,000 companies registered in Cyprus, many of which belong to non-residents. 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 threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. Traditionally, there has been 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.

The Association of Cyprus Banks publicly reported in December that there was an estimated fourfold increase in currency circulation, to \$1.1 billion (€ 800 million), for the month of November 2013 compared to the same period in 2012. Experts attribute the increased dependency on cash-based transactions to low public confidence in the banking sector.

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 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 approach

***Are legal persons covered:*** ***criminally:*** YES ***civily:*** 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:*** 610 in 2012

***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:*** 68 in 2012

***Convictions:*** 17 in 2012

***RECORDS EXCHANGE MECHANISM:***

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

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

Cyprus is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a 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 financial crisis in March 2013, and Cyprus' subsequent agreement with the Troika (the European Commission, European Central Bank, and IMF) led to efforts to further enhance 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. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

In December 2013, the government passed several amendments upgrading its existing AML legal framework within the context of its request for bailout assistance from the EU. The changes clarify the nature of information subject to exchange with foreign tax authorities; enhance the ability of the FIU to cooperate with foreign authorities; provide increased jail sentences for tax evaders; and address deficiencies in the existing framework for regulating and supervising lawyers, accountants, and trustees.

In April 2013, the Troika requested MONEYVAL conduct a special assessment of the effectiveness of customer due diligence measures in Cyprus' banking sector. As a result of the review, the Central Bank of Cyprus (CBC) agreed to implement closer supervision of banks' risk classification and suspicious transaction reporting practices. Other improvements to the AML/CFT regime include a June 2013 decision by the Securities and Exchange Commission to establish a dedicated, three-member oversight team to conduct more frequent on-site visits to the investment firms it regulates. In September 2013, the government passed amendments extending coverage of enhanced due diligence procedures to domestic politically exposed persons (PEPs), clarifying language on simplified due diligence rules, and introducing stricter provisions concerning the responsibility of compliance officers.

**Area Administered by Turkish Cypriots**

The Turkish Cypriot-administered area (“Administered Area”) lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. 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. There are currently 22 banks in the Administered Area, seven of which are branches of Turkish and other international banks. Internet banking is also available.

The offshore banking sector remains a concern to law enforcement. It consists of eight banks regulated by the “Central Bank” and 90 companies regulated by the “Ministry of the Economy.” Offshore banks are not authorized to conduct business with residents of the Administered Area and may not deal in cash. Only banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey are authorized to operate an offshore branch in the Administered Area.

There are press reports of smuggling of tobacco and alcohol taking place near or through the Famagusta port. “Police” reports also indicate there has been smuggling of meat and fresh produce across the buffer zone. Additionally, IPR violations are a concern; a legislative framework is lacking; and 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 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, 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:* 272 in 2012  
*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:* 0 in 2012

*Convictions:* 0 in 2012

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

The area administered by Turkish Cypriots is not part of any FSRB and thus is not subject to normal peer evaluations.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Despite the 2009 promulgation of stricter “laws,” the 26 operating casinos - three in Nicosia, four in Famagusta, three in Iskele, and 16 in Kyrenia - remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

Banks and other designated entities must submit STRs to the “FIU.” The “FIU” then forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “attorney general’s office,” and then if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “police,” and “customs.”

The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively. The EU continues to provide assistance in light of the area’s money laundering and terrorist finance risks.

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 leave 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.”

Turkish Cypriots intend to pass new AML “legislation” in 2014 that will take into account UNSCRs 1267 and 1373 as well as cover casinos and exchange houses. Turkish Cypriots report that technical assistance from international experts was critical in preparing the draft “legislation.”

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, casinos, tourism agencies, and construction companies contribute to money laundering activities in the DR.

There are no reported hawala or other money or value transfer services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in 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, securities brokers, and redeemers of checks or other types of negotiable instruments; issuers, sellers, and redeemers of traveler's checks or money orders; 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:* 6,189: January 1 - November 6, 2013

*Number of CTRs received and time frame:* 716,658: January 1 - November 6, 2013

*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:* 9 in 2013

*Convictions:* 4 in 2013

**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:

[https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=347&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=347&Itemid=418&lang=en)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Egmont Group of Financial Intelligence Units (FIU) expelled the DR's FIU in 2006, due to a lack of compliance with the definition of an FIU. The Egmont Group specified the formal steps the DR needs to take to reapply for membership, thereby allowing the FIU to efficiently and securely share and exchange sensitive financial information with foreign counterpart FIUs. The function of the FIU improved, but problems remain. Specifically, the creation of an additional FIU-like organization to regulate international financial zones, as stipulated under Law 480/08, is in contravention of Egmont Group rules. The DR should modify Law 480/08 to eliminate the possibility of a second FIU, and reapply for membership in the Egmont Group. A bill to amend Law 480/08 to make it compliant with Egmont Group rules is currently pending before Congress.

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 DR strengthened its laws on politically exposed persons (PEPs) and correspondent relationships, but 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 should implement legislation to align its 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.

Casinos are regulated. 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.

Since 2011, France has considerably expanded its financial intelligence unit (FIU), TracFin. 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. 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. TracFin has been increasingly focused on tax and social benefits fraud, closely collaborating with the Budget Ministry and social security 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: 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:* 26,011 in 2012

*Number of CTRs received and time frame:* 1,218 in 2012

*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:* 297 in 2011

*Convictions:* 28 in 2011

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

France is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf>

**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 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. The July 27, 2013 law no. 2013-672 on the separation and regulation of banking activities includes AML and tax evasion provisions aimed at reinforcing TracFin's powers.

The same law distinguishes between traditional reporting of suspicious transactions and systematic communication of information (COSI) to TracFin. Effective November 1, 2013, 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 \$1,360). 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 will also apply 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 law passed on January 28, 2013 seeks to modernize the French legal framework by including e-money institutions among the entities subject to risk mitigation requirements, such as verifying a client's identity and declaring potential risks of illegal activities.

In June 2013, the Financial Markets Authority (AMF), the French equivalent of the Securities and Exchange Commission, stated it has an oversight obligation and may conduct documentary audits and on-site AML/CFT compliance inspections. It is authorized to report any exceptions it observes to the AMF Enforcement Committee. The AMF collaborates with the Prudential Control Authority and the Anti-Money Laundering Steering Committee. The AMF also has an obligation to report any suspicions to TracFin.

In 2011, France created the Agency for the Management of Seized and Confiscated Assets (AGRASC) to oversee the collection and distribution of forfeited assets in cooperation with international partners. According to an AGRASC report, France has cooperated with international partners to seize assets, including a recent repatriation of assets in a joint French/Luxembourg case. 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 prosecutions and convictions in 2012 and 2013 is not available; however, TracFin has commented that the number of prosecutions in 2011 was low in comparison to the number of STRs submitted.

## 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 to EUR 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: electronic payment systems; trade in precious metals, electronics, and energy; and a decrease in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. 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:*** Combination approach

***Are legal persons covered:*** ***criminally:*** NO ***civily:*** 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:*** 14,361 in 2012

***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:*** 1,070 in 2011

***Convictions:*** 903 in 2011

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

Germany is a member of the 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:***

On February 26, 2013, amendments to Germany's Law against Money Laundering (AML Act) entered into force to regulate online gaming and to tighten control over the increasing number of casinos and slot machines. The new law, which takes into account the expiration of the Interstate Gambling Treaty, bans gift cards, subjects online gaming companies to KYC rules, requires online gaming operators to have better risk management, and strengthens the power of regulators.

The new measures also add online gaming operators and their intermediaries as persons/entities covered by AML Act provisions. Operators must apply specific customer due diligence measures; establish appropriate risk management processes and procedures, as well as internal controls; identify and verify the identity of the player; and set up a gaming account for the player prior to allowing him to participate. The revised law also aims to improve the transparency of payment flows by requiring the use of an identified payment account of the player for any transfers or receipt of funds. Credit and payment institutions involved in the processing of credit card payments between the player and the gaming operator have to meet new due diligence obligations, especially by ensuring that funds transfers to operators of online gaming are identified as such by the use of an agreed merchant category code. Authorities also can now request information about payment accounts of online gaming operators and players. The sanctions provision of the AML Act also was amended accordingly.

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 \$137,000) 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).

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted. Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany should become a party to the UN Convention against Corruption.

## 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 and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes have increased in recent years and criminal organizations, some with links to terrorist groups, 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 at 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:** 3,318: January 1 – November 11, 2013

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

**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:** 178: January 1 - November 25, 2013

**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 report can be found at: <http://www.fatfgafi.org/documents/documents/mutualevaluationofgreece.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Greece has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Although the FIU has technical and data management systems and capacities to support its functions, the government, due mainly to austerity measures, has not provided adequate financial resources to ensure the FIU is able to fulfill its responsibilities and that its powers are in line with international standards. It is also 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 requires transactions above €3,000 (approximately \$3,965) be executed with credit cards, checks or cashiers' checks, and all business-to-business transactions in excess of €3,000 (approximately \$3,965) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$132,150) are subject to examination. Nevertheless, Greece should ensure its system for reporting large currency transactions is applied equally across all regulated sectors and explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The government should ensure domestic PEPs are also subject to enhanced due diligence, ensure that designated non-financial institutions 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 continued to increase during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and 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 provided 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 2013, 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) and seven more are scheduled to start operations soon. FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity 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; casinos, 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:*** 442: January 1 - October 31, 2013  
***Number of CTRs received and time frame:*** 6,943,424: January 1 - September 30, 2013  
***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; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors, casinos, raffles and games of

chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

***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:*** YES ***Other mechanism:*** YES

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

Guatemala became a member of the Financial Action Task Force of South America (GAFISUD), a FATF-style regional body, in July 2013. It remains a member of the Caribbean Financial Action Task Force (CFATF). 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:***

Staffing of the FIU (IVE) increased over the last several years, as has the number of filed STRs. However, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of 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.

In December 2009, former President Alfonso Portillo was indicted in the United States on one count of conspiracy to commit money laundering in the United States. On August 26, 2011, Guatemala's Constitutional Court unanimously upheld the U.S. request to extradite him on that charge. On August 29, 2012, the Constitutional Court rejected a request from Portillo's lawyers for an injunction against former President Alvaro Colom's administrative approval of the extradition. Portillo was extradited to the United States on May 24, 2013.

A 2011 law prevents new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013. 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, notably requiring more information and bank certification for transactions totaling over \$3,000 per month. According to law enforcement authorities, banks' purchases of foreign currency declined 13 percent in 2012, and increased 1.8 percent during the first nine months of 2013 in relation to the same period in the previous year.

On November 25, 2013, the Government of Guatemala added designated non-financial businesses and professions, covered previously only under the CFT law, as reporting entities subject to KYC rules and suspicious transaction reporting requirements. It also added public accountants and auditors as newly obligated entities. Guatemala's AML law does not cover all designated non-financial businesses and professions 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.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money-laundering potential. A draft gaming law is now under consideration by key members of Congress. In October 2012, the Guatemalan Congress approved an anti-corruption law that increases penalties for existing crimes and adds new crimes such as illicit enrichment and trafficking in influence. In addition, in October 2013, a transparency law was passed that, if implemented well, should aid in reducing corruption and increasing fiscal transparency.

Tipping off is not criminalized and there is no provision to protect STR filers from liability. Reportedly, covered entities expressed fear that there may be repercussions if they file reports. Guatemala should amend its AML/CFT legislation to include such provisions.

## Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the 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:** 673 in 2012

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

**STR covered entities:** All businesses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 4 in 2012

**Convictions:** 4 in 2012

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **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:**

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'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.

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 continues to experience political disruptions due to the transit of narcotics and the flow of money related to the drug trade. The cohesion and effectiveness of the state itself is very poor; corruption and impunity are major problems and the judiciary has demonstrated its lack of integrity on a number of occasions. 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. On April 2, 2013, the U.S. Drug Enforcement Administration arrested Na Tchuto.

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.

One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is very large compared to the size of the Bissau-Guinean economy. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Traffickers from Latin America and collaborators from the region continue to take advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, corruption, and general insecurity to make the country a major transit point for cocaine destined for consumer markets, mainly in Europe. A multitude of small offshore islands, upon or near which drug shipments may be dropped, and complicit officials and military officers able to sidestep weak and under-resourced enforcement efforts with impunity contribute to the problem. Transition President Nhamadjo has declared the problem a top priority for his administration, although no resources have been devoted to this effort, nor is there the capacity to take steps toward enforcement.

The formal financial sector in Guinea-Bissau is undeveloped, poorly supervised, and dwarfed by the size of the underground economy.

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 broker/dealers and firms, insurance companies, casinos, charities, NGOs, lawyers, accountants, and notaries

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

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

***RECORDS EXCHANGE MECHANISM:***

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

The Government of Guinea-Bissau has not fully implemented relevant international conventions against money laundering and terrorist financing, in large part because of underlying deficiencies in its AML/CFT regime; although scarce resources, weak border controls, and under-resourced and understaffed police are contributory factors. 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 is

still awaiting publication and so is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and maintains entirely inadequate legal provisions for the conduct of customer due diligence on the part of Bissau-Guinean financial institutions. 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's financial intelligence unit (FIU) is only partially functional, in part owing to a lack of both reliable resources and analytical staff. Nevertheless, in 2013, Guinea-Bissau's FIU responded to a request for information from another FIU in the region, conducted numerous sensitization and capacity-building programs for key stakeholders, and secured new and more suitable office space.

Guinea-Bissau lacks a framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373, although it has taken recent actions to support the creation of such a framework. The Bissau-Guinean Council of Ministers has 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.

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 problem. Guinea-Bissau should continue to work with its bilateral and GIABA partners to establish and implement an effective AML/CFT regime. The Bissau-Guinean civil authorities and law enforcement agencies should work urgently to restore sovereignty, administer justice, and establish border controls. Guinea-Bissau should ensure the sectors covered by its AML law have implementing regulations and competent supervisory authorities. It also 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 and judiciary to combat crimes. Guinea-Bissau should also 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 at this time appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional money laundering enterprises utilize Haitian

couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency, and all property confiscations involve significant drug traffickers convicted in the United States.

Foreign currencies comprise 57.3 percent of Haiti's bank deposits, according to the Haitian Central Bank, likely due to the large influx of remittances, which reached \$1.6 billion in 2012.

The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed; however, online gaming is illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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:* 179: January 1 - October 31, 2013

*Number of CTRs received and time frame:* 223,456: January 1 - October 31, 2013

*STR covered entities:* Banks, cooperatives, credit unions, currency exchanges, issuers of money orders, insurance companies, casinos, real estate firms, and accounting firms

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

*Prosecutions:* 1 in 2013

*Convictions:* 0

***RECORDS EXCHANGE MECHANISM:***

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

*With other governments/jurisdictions:* YES

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_content&view=category&layout=blog&id=365&Itemid=550&lang=en](https://www.cfatf-gafic.org/index.php?option=com_content&view=category&layout=blog&id=365&Itemid=550&lang=en)

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

In the past year, the Government of Haiti passed a new AML/CFT law that expands the obligation of suspicious transaction reporting to non-financial businesses and professions. The law criminalizes terrorism financing, establishes new reporting procedures for suspected terrorism financing, and enables freezing and seizing of terrorist funds. A Ministerial Council can order immediate freezing of funds of any UN-designated terrorist group or individual, and a court can order seizure of assets for any parties convicted of money laundering or terrorism financing. However, the law also weakens the independence of the Haitian FIU by subordinating the unit to an investigative judge, only allowing the FIU to accept suspicious reports under a legal investigation. This significantly limits the FIU's intelligence-gathering capacity and seriously compromises the efficacy of the STR reporting regime. Additionally, attorneys are specifically exempted from the obligation to report suspicious transactions.

In May 2013, the Senate passed an anti-corruption bill, which 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. However, the legislation remains stalled in the Chamber of Deputies.

The FIU forwarded 10 cases to the judiciary in 2013; at least one prosecution was initiated. 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 to investigate financial crimes and the development of an information technology system. The new 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 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 December 2013, Hong Kong's stock market was the world's sixth largest, with \$3.1 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 \$136.6 billion in RMB-denominated deposits at authorized institutions as of November 2013. 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 exchangers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 32,907 in 2013  
*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:* 172 in 2013

*Convictions:* 140 in 2013

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* MLAT: YES *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/hongkongchina/documents/mutualevaluationofhongkongchina.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In April 2012, Hong Kong strengthened its AML regime by enacting the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance, or AMLO, which mandates preventive AML measures, such as customer due diligence and record keeping requirements. Financial institutions that violate the statutory obligations under AMLO are subject to supervisory and/or criminal sanctions. AMLO also establishes a regulatory regime for remittance agents and money changers and provides statutory powers to financial regulators to supervise compliance. Hong Kong is currently evaluating the feasibility of a cross-border currency reporting system and has established a task force to conduct a national AML/CFT risk assessment.

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 AMLO. These local efforts, as well as regulatory scrutiny and de-risking elsewhere, likely contributed to the record number of suspicious transaction reports (STRs) submitted in 2013, a surge of more than 41 percent over the previous year.

Hong Kong should address the recent increase in the number of STRs submitted by financial institutions through allocation of sufficient analytical and investigative resources. Hong Kong also should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's foreign 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.

## 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 is 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. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. The most common money laundering methods include opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds; and companies use TBML to evade capital controls. 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 November 2013, there were 176 SEZs in operation and 573 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:* 31,317: April 2011 - March 2012  
*Number of CTRs received and time frame:* 3,027,382: April 2011 - March 2012  
*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:* 7 in 2013  
*Convictions:* 0

**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:**

India has worked to implement an effective AML/CFT regime. The Government of India made significant changes to its legal framework to bring it into compliance with international standards. India brought domestic law in line with international standards by passing

amendments to the Prevention of Money Laundering Act (PMLA) in November 2012. While the amendments to the PMLA widen the definition of money laundering, the government has not changed its enforcement model.

Deficiencies in India's AML/CFT regime remain. India 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 2013, 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

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, 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, and others. Members of internationally sanctioned terrorist groups are also present.

Most money laundering in Indonesia is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, 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 18, 2013. 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 ***civily:*** 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:*** 35,198: January 1 - November 30, 2013

***Number of CTRs received and time frame:*** 1,373,693: January 1 - November 30, 2013

***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:*** 24: January 1 - November 30, 2013

***Convictions:*** 8: January 1 - November 30, 2013

***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:***

In February 2013, Indonesia passed CFT legislation, Law No. 9 of 2013 on the Prevention and Suppression of Terror Financing, which took effect on March 13, 2013. Indonesia's legislation provides some limited basis to freeze terrorist assets linked to the UN list of designated terrorists and terrorist organizations pursuant to UNSCR 1267, but the law is deficient, requiring a court-issued freeze order that is not without delay and giving the court discretion in implementing the freeze obligation. Indonesia also continues to lack an adequate mechanism to implement UNSCR 1373, and the prosecution of terrorism financing cases remains problematic. Police and prosecutors need additional training to be able to follow and convincingly explain the money trail in a court of law, and they lack experience in applying the new CFT law as a basis for prosecution and conviction. Judges need training on hearing money laundering and financial crime cases. Corruption, particularly within the police ranks, also impedes effective investigations and prosecutions.

Indonesia's FIU, known as the PPATK, works closely with the Indonesian Central Bank to oversee and implement Indonesia's AML regime. The October 2010 AML legislation imposed new reporting and analytical duties upon the PPATK, leading to concerns the agency would be overburdened. However, after three years of implementing the new legislation, the PPATK has successfully fulfilled its new duties and is in compliance with the new reporting requirements the AML legislation mandates. PPATK publishes detailed, lengthy reporting statistics on its website and also through a monthly publication highlighting the data it acquires and reports.

## **Iran**

Although not an international financial hub, Iran has a large informal economy, characterized by sanctions evasion, restrictive taxation, widespread smuggling, currency exchange controls, and capital flight. Iran is a major transit route for opiates smuggled from Afghanistan or Pakistan to the Persian Gulf, Turkey, Africa, Russia, and Europe. At least 35 percent of opiates leaving

Afghanistan enters or transits Iran for domestic consumption or for consumers in Russia, Africa, and Europe. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market at discounted prices, 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* are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. There are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate. Iran's real estate market also is used to launder money. 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 issued repeated public statements warning of Iran's failure to address the risks of terrorism financing and urging Iran to immediately and meaningfully address its AML/CFT deficiencies, specifically the financing of terrorism. The FATF urges 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, guidance, and financial assistance to multiple terrorist organizations that undermine the stability of the Middle East and Central Asia, such as Hamas, Lebanese Hizballah, the Taliban, and Iraqi Shia militias. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. Their presence is diminishing because of UN, U.S., EU, and autonomous sanctions regimes and the FATF statements on Iran's lack of adequate AML/CFT controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance both its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks; and, in March 2012, some Iranian financial institutions were disconnected from the SWIFT international network to curtail their ability to send and receive international wires due to EU sanction violations. The United States has designated at least 20 banks and subsidiaries under counter-proliferation and terrorism authorities. Additionally, the UN has 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:* Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charitable organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

**REPORTING REQUIREMENTS:**

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

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

*STR covered entities:* Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charitable organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official 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 any FATF-style regional body.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks located in Iran and overseas, designated in connection with proliferation activities; state-owned Iranian bank Bank Saderat and its foreign operations designated for funneling money to terrorist organizations; the Qods Force, a branch of the Iranian Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban,

Hizballah, and the PIJ; 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 Lebanese Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates.

Additionally, Iran has been the subject of several UNSCR and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation of sensitive nuclear activities. In 2010, in recognition of that connection, the United States adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act, which makes sanctionable certain activities in Iran's energy sector, including the provision of goods and services for Iran's refined petroleum sector.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. On August 10, 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012 was enacted, expanding sanctions on Iran's energy sector and against human rights violators. This legislation builds 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. In February 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering and terrorism financing risks emanating from Iran, and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk-mitigation practices. In October 2013, the FATF reiterated its call for countermeasures, urged Iran to immediately and meaningfully address its AML/CFT deficiencies – in particular, by criminalizing terrorism financing and effectively implementing suspicious transaction reporting requirements – and again urged 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.

Numerous countries around the world have restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. A growing number of governments have moved to designate Iranian banks, and many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. Since February 2007, the EU also has adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade.

## Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Narcotics trafficking and narcotics-based money laundering are not major problems. However, smuggling is endemic, often involving consumer goods, cigarettes, and petroleum products. Bulk cash smuggling, trafficking in persons, and intellectual property rights violations also have been reported. Kidnappings for ransom and extortion are rampant. Terrorists' abuse of the country's financial system and territory is also occurring. Credible reports of counterfeiting exist. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations the opportunity to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Corruption is a major challenge and is exacerbated by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community. U.S. dollars are widely accepted and are used for many payments.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region. Iraq enacted a tariff law in 2010 with a higher tariff schedule. The government plans to begin phasing in the higher tariffs in 2014.

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 travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 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 travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

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

*Prosecutions:* 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 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:***

The AML Act of 2004, issued under Coalition Provisional Authority Order 93, and the only AML statute in Iraq, is very broad. However, the penalty under the 2004 law is only that of a misdemeanor. The Government of Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. New draft AML/CFT legislation is currently under review by Iraq's Shura Council. After the Shura Council completes its review, the law will be circulated for review among the international community, then considered by the Council of Ministers followed by the Council of Representatives.

In October 2012, the Iraqi government formed the Financial Crimes Task Force (FCTF), a multi-agency body to coordinate investigations of suspected large-scale money laundering and terrorism financing. Reportedly, the FCTF is no longer functioning. In 2013, Iraq formed a high-level committee, chaired by the Acting Governor of the Central Bank, to follow up on noted deficiencies. The government should address these deficiencies as soon as possible.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. In addition, the current lack of implementing legislation, weak compliance enforcement, and the need for more technical capacity at the Central Bank of Iraq's (CBI) Anti-Money Laundering Unit (AMLU), formerly known as the Money Laundering Reporting Office, all undermine Iraq's ability to counter terrorism financing and money laundering.

Although the CBI asserts the AMLU has appropriate operational independence, the AMLU does not have sufficient operational independence and autonomy, and is not adequately structured, funded, staffed, and provided with sufficient technical and other resources to fully and

effectively perform its function. The AMLU staff lacks sufficient training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the AMLU staff must process the data received manually, as is common in other Iraqi government institutions. The AMLU is empowered to exchange information with other Iraqi and foreign government agencies, but generally does not do so. Historically, the AMLU received little support from Iraqi law enforcement, but in 2011 the AMLU began participating in many of the government's investigations. Iraq should ensure the AMLU has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are still quite limited, and enforcement is subject to political constraints. It is not clear whether the Iraqi financial sector is aware of and understands noted AML/CFT deficiencies. 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 45 state-owned and private banks. In practice, very few STRs are filed. Banks are reluctant to file STRs and do not use the CBI's STR form consistently when they do file. Rather, most banks either conduct internal investigations or contact the AMLU, which executes an account review to resolve any questionable transactions. Iraqi authorities should work to increase reporting by financial institutions.

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 ensure adequate political and resource support for the FCTF and the AMLU to allow them to do their work effectively.

## 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 *civily:* YES

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler’s checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio, and asset managers; estate agents; auditors, accountants, lawyers, and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 2,668 in 2011  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* All businesses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 13 in 2011  
*Convictions:* 12 in 2011

**RECORDS EXCHANGE MECHANISM:**

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

Compliance with international standards was evaluated in a report prepared by the International Monetary Fund’s Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

**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.

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 on June 1, 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-West Bank/Gaza

### 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 Director General of the Prime Minister's Office recently formed a committee 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:** 39,593: January 1 - November 3, 2013

**Number of CTRs received and time frame:** 1,185,610: January 1 - November 3, 2013

**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:** 43: January - November 2013

**Convictions:** 30: January - November 2013

**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:**

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 (INP). Israel cooperates on legal assistance and on extradition requests.

In October 2012, the INP conducted a joint investigation with the Department of Homeland Security targeting a criminal organization producing false and fraudulent identification documents. INP subsequently arrested two Israeli citizens and seized approximately \$1.3 million identified as laundered proceeds of the illicit scheme.

**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. It has limited ability to access the

approximately 60 percent of the West Bank designated as “Area C,” which remains under full Israeli control. The PA has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup. The Palestine Monetary Authority (PMA) is an independent agency of the PA and has oversight over Palestinian banks in the West Bank and Gaza. The PA currently has 17 banks, 10 of which are foreign, with 234 branch offices licensed to operate.

The Palestinian economy is primarily cash-based. 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. The PA, however, has 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, trade-based money laundering and customs fraud are among the largest money laundering threats to the PA. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes.

***DO FINANCIAL INSTITUTIONS ENGAGE IN 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:*** 39 in 2013

***Number of CTRs received and time frame:*** 385,355 in 2013

***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:*** 58 in 2013

***Convictions:*** 3 in 2013

***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 PA 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). 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 address this lack in the AML Law currently are under consideration by the Cabinet and, once approved, could be signed into law by executive decree. Currently, cases considered terrorism are investigated and prosecuted under a specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

Although not a signatory, the PA has made efforts to implement the UNCAC. Although compliant with the UNTOC and the 1988 UN Drug Convention, the PA is not a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing, or UN Resolutions 1267 or 1373.

KYC in the PA is controlled by AML Law and the PMA 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 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 16 employees and a computer system linking it with all 17 banks licensed to operate in the PA. The banks now file both suspicious transaction reports (STRs) and currency transaction reports

(CTRs) electronically through this system. Filed reports decreased in 2013, as compared to 51 STRs and 389,317 CTRs filed in 2012. All covered entities must report any STR to the FFU. The FFU also has developed an Unusual Transaction Report (UTR), 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 the law. Article 31 of AML Law #7 of 2007 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office. This lack of ability to share information and support with law enforcement has minimized the FFU's function and ability to support law enforcement.

Prosecutors within the Attorney General Office (AGO) are the chief investigators in PA, with all the powers of an investigative judge. The prosecutors' lack of manpower and investigative experience has slowed the successful prosecution of AML cases. The PA has formed a multi-agency task force to address this problem, 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. The task force is expected to increase information sharing between law enforcement agencies and the FFU. Despite the noted problems, prosecutions increased in 2013 from 18 in 2012, as did convictions, of which there were none in 2012.

## 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 estimated to generate as much as 15 percent of GDP (\$330 billion). A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 34,458: January 1 – June 30, 2012  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 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 a decree on the identification of non-EU jurisdictions that have introduced requirements equivalent to those mandated in the EU; it is guidance for financial institutions and designated non-financial businesses and professions (DNFBPs) and does not override their risk analysis of transactions. The MEF and Italy's financial intelligence unit, the Financial Information Unit (FIU) issued, respectively, implementing provisions on how financial institutions have to deal with business relationship termination when the relevant customer due diligence (CDD) measures cannot be completed. The objective is to 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. In January 2014 the new regulations will 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 2011 and 2012 were intended 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 2013 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, also plays a central role in these efforts.

## Japan

Japan is a regional financial center but not an offshore financial center. It has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office.

Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

Japan continues to face substantial risk of money laundering by organized crime, including Boryokudan (also known as Yakuza), Japan's organized criminal groups; Iranian drug trafficking organizations; extremist religious groups; and other domestic and international criminal elements. The major sources of laundered proceeds include drug and human trafficking, fraud, illegal money lending, remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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:*** 364,366 in 2012  
***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:*** Not available  
***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 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 is notably deficient. Japan has not yet fully addressed its inadequate criminalization of terrorist financing; lack of an adequate terrorist asset freezing regime; weak customer due diligence requirements; and failure to ratify the UN Transnational Organized Crime Convention.

In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act (CPA), to improve customer due diligence requirements, including requiring financial institutions to identify the customer's name, address, and date of birth; and to verify the purpose of a transaction, business activities, and beneficial owners. These requirements came into effect in April 2013.

Japan has begun to implement a risk-based approach to AML/CFT. Following its investigation into three major Japanese banks' relations with organized crime organizations, the Financial Services Agency (FSA) implemented, in December 2013, a new financial monitoring policy for financial institutions. The policy calls on institutions to conduct enhanced due diligence for higher-risk customers, business relationships, and transactions, as well as to sever relationships with suspicious entities and individuals. This is an improvement over the April 2011 amendments to the CPA that called for financial institutions to verify a customer's assets and income in certain higher-risk situations, but only delineated those situations as being instances in which the use of false identity was suspected, rather than those presented by such factors as business type, customer location, or type of transaction.

The Government of Japan's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the many legal tools and programs available to combat these crimes. The National Police Agency (NPA) provides limited cooperation to other government 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 domestic counterparts and those in foreign jurisdictions.

Japan's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has frozen terrorist assets in only a few cases. Japan's system does not cover funds raised by a non-terrorist for use by a terrorist or terrorist organization, reaches only funds, not other kinds of assets, and is limited in its applicability to domestic transactions that do not involve foreign currency. The Japanese government should move quickly to enact legislation

to allow terrorist assets to be frozen without delay and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the 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. 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; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers, and legal professionals

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 1,749 in 2012

**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; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers, and legal professionals

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 5 in 2013

**Convictions:** 5 in 2013

**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:**

The Money Laundering and Weapons Development (Directions) (Jersey) Law 2012 came into force on January 13, 2012. Under this 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, it is able to provide mutual legal assistance to any jurisdiction, including the United States, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery

(International Co-operation (Jersey) Law 2007. In 2012, the United States gave Jersey \$2 million in recognition of the role Jersey had played in freezing more than \$8 million found in a Jersey-based bank account – which action had cut off funding to a Colombian drug trafficking cartel.

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 has not extended the UN Convention against Transnational Organized Crime to Jersey.

Under the Terrorist Asset Freezing (Jersey) Law 2011 a person designated by the UN or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes.

Jersey authorities have indicated concern regarding the increasing incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes.

Where reliance is placed on identification measures already performed by a third party (in accordance with criteria established in legislation), Jersey requires an obliged entity to obtain all necessary CDD information from that third party immediately at the beginning of a relationship. However, such information may not be required for an intermediary that is considered to present a lower risk. Jersey authorities should explicitly require that all obliged entities obtain all necessary CDD information from the intermediary or third party at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or third party's performance of CDD obligations.

Some concerns have been raised about the introduction of a law on foundations which appears to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations. Jersey's authorities are considering how to strengthen requirements surrounding the maintenance of financial records.

## 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 occurs in both the formal and informal sectors, and derives from both domestic and foreign criminal activity. Such activity includes transnational organized crime, corruption, smuggling, illicit trade in drugs and counterfeit goods, and wildlife trafficking.

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. Mobile payment and banking systems are increasingly important and make tracking and investigating suspicious transactions difficult, although they have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash.

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 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. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade goods often are used to provide counter-valuation in regional hawala networks.

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 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 understanding legislative developments and continuing to develop their expertise to investigate and charge high impact cases, including terrorism financing and money laundering.

The FATF first included Kenya in its Public Statement in February 2010. Since that time, Kenya has made a number of substantive improvements to its AML/CFT regime; however, Kenya is still included in the October 18, 2013 FATF Public Statement because it has not made sufficient progress in implementing its action plan within the agreed timelines and continues to have certain 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:** 97: January - November 2013

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

**STR covered entities:** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. 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. The POCAMLA has never been used to prosecute financial crimes. Key implementing structures called for in the POCAMLA, like the financial intelligence unit (FIU) and the Assets Recovery

Agency, are working to improve their operational capabilities. While Kenya has notably improved its AML/CFT regime, the government must continue to work to effectively implement that regime, which has management and operational deficiencies.

The Financial Reporting Centre (FRC), Kenya's FIU, began receiving suspicious transaction reports (STRs) in October 2012. Nineteen of the 97 STRs submitted to the FRC since its inception 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. 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. Tracking, reporting, and investigating suspicious transactions outside the formal financial sector are more difficult for the Kenyan authorities than for those occurring within the formal financial sector.

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's criminal justice system is being overhauled. 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 these crimes. A primary impediment to implementation has been the severe lack of resources at the Office of Director of Public Prosecutions (ODPP). Until 2013, Kenya had only 74 public prosecutors, who were outnumbered by judges and magistrates. For example, in the metropolitan city of Kisumu, there are five High Court judges and 12 magistrates, but only five public prosecutors. As a result of the limited resources of the prosecutorial authorities, development of economic crime cases is limited. However, the ODPP hired nearly 100 prosecutors in late 2013, bringing its numbers to approximately 270. Additionally, the ODPP has appointed a new head of the counterterrorism unit in Nairobi, enabling this unit to increase its efforts to combat terrorism, money laundering, corruption, and cybercrime.

Kenya recently 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.

The POCAMLA provides for 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.

## 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 eight percent and comprising 49.5 percent of total bank deposits as of November 2013. The scope of the “shadow” (untaxed) economy, estimated at around 21 percent of the overall economy; geographic location; and public corruption make it challenging to combat money laundering.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud perpetrated by Russian and Latvian groups; 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 closely monitor financial transactions to identify instances of terrorism financing. Public corruption remains a problem in Latvia. There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found 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 merchant, intermediary, or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000)

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 18,409: January 1 - November 30, 2013

**Number of CTRs received and time frame:** 11,051: January 1 - November 30, 2013

**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 merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000); and public institutions

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 10: January 1 - June 30, 2013

**Convictions:** 8: January 1 - June 30, 2013

**RECORDS EXCHANGE MECHANISM:**

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

**With other governments/jurisdictions:** YES

Latvia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a 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:**

The Latvian Financial and Capital Market Commission (FCMC) has prepared amendments to the law to eliminate exemptions from customer due diligence procedures. Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not; the Latvian government should adopt the FCMC amendments to change this.

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 conducted 14 property searches and 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; however, authorities have not been able to locate her since June 2013. On July 22, the PGO issued a European Arrest Warrant for Stabina.

On June 18, following an inspection of internal control procedures in six Latvian banks, FCMC imposed the maximum fine of \$200,000 on an unnamed bank for its involvement in money laundering related to the assets of Russian lawyer Sergei Magnitsky.

In December, KNAB initiated criminal proceedings against an official at Pauls Stradins University Hospital on suspicion of carrying out illegal activities for monetary gain. On December 19, the chairwoman of the Pauls Stradins Clinical Hospital was suspended after KNAB agents searched the hospital and discovered deficiencies in the hospital's administration. KNAB's investigation is ongoing; to date no criminal charges have been brought in the case.

Latvian law enforcement officials and regulators continue to make progress in their efforts to thwart money laundering. FCMC reports that Latvian banks continue to invest substantially in their IT systems to develop further programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for 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 \$7.6 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 foreign criminal activity and organized crime, and from Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Domestically, there is a black market for cigarettes; cars; counterfeit consumer goods; and pirated software, CDs, and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities including the trafficking of conflict diamonds, diamond trade fraud (circumventing the Kimberley process), and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has 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.

In 2011, Lebanese Canadian Bank (LCB) was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act. A \$102 million settlement between LCB and the U.S. Department of Justice was reached in June 2013.

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:*** 241: January - October 2013  
***Number of CTRs received and time frame:*** 25: January - October 2013  
***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:*** 4: January - October 2013  
***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 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 2013, are still awaiting Parliament's approval. These include: amendments to the existing money laundering law, Law 318/2001, which would, among other provisions, add new offenses to the existing law, impose financial penalties on obliged entities for financial reporting violations, and require lawyers and accountants to file suspicious transaction reports (STRs); 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 2013, the Bank of Lebanon issued circulars to improve its AML/CFT regime. These include: Basic Circular No. 128 dated January 12, 2013, later amended by intermediate Circular No. 338 dated September 23, 2013, requiring banks to establish a Compliance Department comprising an AML/CFT Compliance Unit; Intermediate Circular No. 337 dated September 20, 2013, regulating cash transfers in the hawala system; and Intermediate Circular No. 325 dated June 6, 2013, regulating electronic funds transfers. Despite no requirement to file currency transaction reports (CTRs) with the Special Investigation Commission (SIC), Lebanon's financial intelligence unit, 25 such reports were filed voluntarily.

The SIC sent 26 allegations to the Office of the Prosecutor General for prosecution between January 2013 and October 2013. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has steadily increased 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. Lebanon should take action to immobilize those shares.

From January 1, 2013 to November 20, 2013, Lebanon's Internal Security Forces (ISF) received 32 allegations of money laundering from Interpol and 40 requests from the SIC, and has prepared files on two 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. 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.

On November 13, 2013, following a referral by a concerned bank and an investigation by the SIC, the Lebanese judiciary arrested and charged a senior Lebanese government official and his spouse on charges of embezzling public funds and money laundering. The SIC took the decision to freeze all the accounts related directly or indirectly to the concerned suspects. Allegedly, the amounts embezzled are estimated at approximately \$4 million. Another accomplice and his spouse were also arrested and charged in absentia.

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. 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. Finally, Lebanon should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

## Liechtenstein

The Principality of Liechtenstein 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, 107 asset management companies, 392 trust companies, 40 insurance companies, 69 insurance intermediaries, 29 pension plans, six pension funds, 20 fund management companies with approximately 542 investment funds, and 1,370 other financial intermediaries. The three largest banks control 85 percent of the market.

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 renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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, investment companies, and real estate companies; dealers in high-value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 318 in 2012  
**Number of CTRs received and time frame:** Not applicable  
**STR covered entities:** Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 50 in 2012  
**Convictions:** 0: January - November 2013

**RECORDS EXCHANGE MECHANISM:**

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

Liechtenstein is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a 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 2012 reporting year saw a continued annual decline of suspicious activity reports (SARs), down by 10 percent compared to 2011. Forty-three percent of the SARs were for suspected fraud, 9 percent for money laundering (a decline from last year), and 48 percent enumerated other offenses. In 2012, 60 percent of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor. The present SAR reporting requirements do not clearly indicate whether attempted transactions related to funds connected to terrorism financing or terrorism are covered.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-resident and trust or asset management accounts, are considered routine in Liechtenstein and are subject only to normal customer due diligence procedures. Liechtenstein also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

## 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.

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; 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:*** 3,723: January 1 - October 31, 2013

***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; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 100: January 1 - September 15, 2013

**Convictions:** 122: January 1 - September 15, 2013

**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/mutualevaluationofluxembourg.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

During 2013, the Government of Luxembourg continued the implementation of the comprehensive package of legislative and administrative actions that were put in place in 2010. The Supervisory Authority of the Financial Sector (CSSF) and the Supervisory Authority of the Insurance Sector (CAA) further strengthened their respective AML/CFT supervisory efforts through the implementation of a risk-based approach to AML/CFT supervision, notably when organizing on-site inspections and allocating human resources. The CSSF and CAA also multiplied the number and intensity of their on-site inspections (182 specific CSSF AML/CFT on-site inspections from 2010 – September 15, 2013, and 71 specific CAA AML/CFT on-site inspections during the same period) with an enlargement of the scope of professionals and subjects covered. In addition, the CSSF strengthened its sanctions regime (extent and scope of sanctions) and implementation (including administrative fines, injunction orders, and withdrawal of the fit and properness character of a licensed person); and created a formal enforcement committee which meets on a regular basis. The CSSF has also continuously increased its human resources and organized specific internal AML/CFT awareness-raising trainings. Both supervisory authorities cooperate with the financial intelligence unit (FIU) on a regular basis.

In 2013, the FIU continued to strengthen its AML/CFT interagency cooperation with competent authorities and its outreach to other relevant authorities, such as Customs and the Administration for Direct/Indirect Taxes, to increase their capacity and awareness of the AML/CFT framework. The FIU organized outreach to covered entities and held focused AML/CFT training together

with other relevant supervisory authorities/self-regulatory organizations (SROs) that cover the insurance sector, auditors, accountants, real estate agents, and dealers in high-value goods. The FIU also implemented enhanced feedback procedures. At the international level, the FIU is currently conducting a pilot project with the French FIU on cross-border exchange of STRs.

The Luxembourg Prosecutor further strengthened the FIU in 2013 by allocating three full-time and two part-time deputy prosecutors to the unit, thus increasing the total composition of the FIU to 16. The FIU undertook substantial work in 2012-2013 to modernize its IT system, with a first version becoming operational by the end of 2013. These efforts have resulted in enhanced analysis of STRs.

The Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not already supervised by SROs, and the SROs of notaries, lawyers, auditors, and accountants made increased efforts to conduct focused AML/CFT on-site inspections of their respective members. Accordingly, in 2012-2013, the AIT conducted 65 AML/CFT on-site inspections of its supervised entities. In 2012-2013, the Luxembourg Bar Association conducted 26 AML/CFT on-site inspections of law firms (representing a total of 566 lawyers), the Institute of Registered Auditors conducted 28 on-site inspections, and the Association of Certified Accountants conducted 45 on-site inspections. From 2011-2013, the Chamber of Notaries conducted on-site inspections of all Luxembourg notary firms. In addition to on-site inspections, the AIT and SROs organized outreach and AML/CFT training for their respective entities/members and issued guidance for implementing AML/CFT measures.

In 2013, Luxembourg enacted new regulations, including the Professionals of the Insurance Sector Law of July 12, 2013 (PSA Law), which amends 1991 and 2004 laws. The PSA Law adds those who provide support services to insurance and reinsurance companies as a new category of regulated and licensed professionals. The CAA regulates the PSAs, who must be duly licensed, are subject to “fit and proper” and AML/CFT requirements, and are subject to the same rules as insurance intermediaries’ shareholders. The PSA Law also provides for explicit coverage of AML/CFT legislation in the certification test for the insurance intermediary license.

## 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 of \$45 billion for 2013, 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 the Chinese mainland. 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:*** 1,163: January 1 – September 30, 2013  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** All persons, irrespective of entity or amount of transaction involved

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

***Prosecutions:*** 0: January 1 - June 30, 2013  
***Convictions:*** 0: January 1 - June 30, 2013

***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=4>

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

Macau continues making 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 for close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with 11 foreign counterpart FIUs.

However, 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 and 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 illegal proceeds being laundered include corruption, kidnapping, extortion, piracy, 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 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, trade, and wire transfers remain favored methods for laundering drug proceeds. Though the combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem, the 2010 implementation of U.S. dollar deposit restrictions reduced the amount of bulk cash repatriation back to the United States via the formal financial sector by approximately 70 percent, or \$10 billion. According to U.S. authorities, drug trafficking organizations send between \$19 and \$29 billion annually to Mexico from the United States, though the Government

of Mexico disputes this figure. Since 2002, Mexico has seized a total of more than \$500 million in bulk currency shipments.

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, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and 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, 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:*** 117,731: October 2012 - November 2013  
***Number of CTRs received and time frame:*** 6,946,000: October 2012 - November 2013  
***STR covered entities:*** Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations, 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:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Mexico is a member of the FATF and the Financial Action Task Force in South America (GAFISUD), 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 Mexico, the financial intelligence unit (FIU), the National Banking Commission (CNBV), and the Attorney General's Office are the main agencies involved in AML regulation. 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. The law requires cash intensive businesses considered vulnerable to money laundering to identify their customers, apply new restrictions to cash transactions, and report large transactions to the government. The law also requires certain businesses and professionals to report cash transactions over pre-determined limits, 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 – at least 65 cases were filed in 2013 – may reach Mexico's Supreme Court, but the regulations and reporting requirements included within the law likely will be upheld, according to local experts.

On November 26, 2013, Mexico's legislative branch approved a financial sector reform that includes several elements intended to improve the country's anti-illicit finance framework. The new laws authorize the CNBV to publish on its website information on administrative sanctions it applies to financial institutions. Previously, the law barred the Commission from making this information public. The law grants enhanced powers to the CNBV to cooperate with the Secretariat of Finance's FIU in the prosecution of illicit finance cases. The changes also give greater latitude to financial institutions in Mexico to share information with foreign governments related to illicit finance or tax evasion investigations.

Mexico should put in place a system to identify and freeze terrorist assets without delay.

## **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 there are few controls on national borders within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the 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 drugs trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found 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:*** 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, electronic money institutions, and taxation offices

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 23,834 in 2012  
***Number of CTRs received and time frame:*** Not available  
***STR covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, 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:*** 1,378 in 2011  
***Convictions:*** 931 in 2011

***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/mutualevaluationreportofthenetherlands.html>

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

The Government of the Netherlands is largely in compliance with international standards and continues to make progress to correct deficiencies.

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 209,239 UTRs filed in 2012.

The National Police, which falls under the Ministry of Security and Justice, was reorganized on January 1, 2013, transitioning from 25 separate regional forces and one national bureau into one national organization overseeing 10 regions. The FIU is an independent, autonomous entity under the National Police. It is expected the reorganized National Police will have enhanced flexibility and effectiveness in responding to money laundering cases.

On January 1, 2013, the Netherlands amended the National Money Laundering and Terrorist Financing Act in order to strengthen its reporting regime and enact stronger KYC rules. The amended legislation includes: specific requirements for customer due diligence (CDD) related to legal arrangements; an exchange of information among supervisory authorities; good faith as a condition for protection from criminal liability; a requirement to immediately obtain information in case of reliance on third parties for CDD; and politically exposed person (PEP)-related requirements that include non-Dutch PEPs resident in the Netherlands.

On September 1, 2013, Parliament passed legislation that introduces a new autonomous criminal offense of terrorism financing in the Dutch criminal code.

The Fiscal Information and Investigation Service is establishing an Anti-Money Laundering Center to increase coordination among key law enforcement agencies. The center will combine expertise from government agencies, such as the FIU, the National Police, and the Food Authority; knowledge institutions; private sector partners; and international organizations. The Ministry of Finance will provide overall policy guidance to the Center. The Center is expected to be fully operational in 2016.

## **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. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian

financial institutions to conduct currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking; illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as “419 fraud” in reference to the fraud section in Nigeria’s criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually.

Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party 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. Recently, however, there has been an increase in the use of sophisticated techniques, such as e-mail hacking/intrusions. 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.

In October 2013, the FATF removed Nigeria from its list of countries subject to monitoring because of strategic AML/CFT deficiencies. The FATF noted Nigeria’s significant progress in addressing deficiencies in its AML/CFT regime and meeting the commitments in its action plan.

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

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR 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:* 1,770: January 1 – September 30, 2013

*Number of CTRs received and time frame:* 6,051,290: January 1 – September 30, 2013

*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:* 17: October 1, 2012 – September 30, 2013

*Convictions:* 13: October 1, 2012 – September 30, 2013

**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 2013, Nigerian authorities continued to work to address strategic deficiencies in the country's AML/CFT regime. Notably, the Government of Nigeria enacted the Money Laundering (Prohibition) (Amendment) Act 2012 and the Terrorism (Prevention) (Amendment) Act 2013, which, respectively, criminalize fraud as a predicate offense to money laundering and criminalize the financing of terrorism in line with international standards. Nigeria likewise instituted a framework for freezing without delay the assets of UN-designated terrorists and for domestically designating non-UN-listed terrorists. Also in 2013, the Nigerian Financial Intelligence Agency Autonomy Bill, 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.

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, 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 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.

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 hinders the government's efforts to combat money laundering. This issue is especially important with regard to CFT. The State Security Service (SSS) 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 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. The National Assembly also should adopt a non-conviction-based asset forfeiture bill.

## **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 financing.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hawaladars, 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. From July 2012 through June 2013, the Pakistani diaspora legitimately remitted \$13.2 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan. These entities also are commonly used to transfer and launder illicit money both domestically and internationally.

On February 16, 2012, the FATF added Pakistan to its Public Statement, reflecting Pakistan's lack of progress in implementing its terrorist financing law. Pakistan will remain on FATF's Public Statement until it enacts legislation to address deficiencies in its criminalization of terrorist financing and its procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373.

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:*** 560 in 2011  
***Number of CTRs received and time frame:*** 204,417 in 2011  
***STR covered entities:*** Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

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

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

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

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Over the past year, the Pakistani government has worked to improve the framework for its AML/CFT laws. In March 2013, Parliament adopted amendments to the 1997 Anti-Terrorism Act that strengthen the legal CFT framework by criminalizing terrorism financing within international standards. Pakistan still falls short of the international standards regarding the identification and freezing of terrorist assets under UNSCR 1373. Pakistan issued an Anti-Terrorism Amendment Ordinance, which came into force on October 12, 2013, and allows Pakistan to begin implementing its UNSCR 1373 obligations immediately. The Ordinance, which must be converted into permanent legislation, went to the Parliament on November 7, where it is under deliberation. The authorities should pass this legislation as soon as possible.

Pakistani authorities also need to investigate and prosecute money laundering and terrorism financing, and not focus only on the predicate offense creating the proceeds of crime. Raising awareness of AML/CFT issues in the judicial sector is critical.

Weak legislation and lack of implementation also have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan 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. Few hawaladars have been registered by the authorities, however; and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address noted 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.

## 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 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, free trade zones (FTZs), and the lack of regulatory monitoring in virtually all 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 17 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:*** NO ***Domestic:*** NO  
***KYC covered entities:*** Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 802 in 2012  
***Number of CTRs received and time frame:*** 729,848 in 2012  
***STR covered entities:*** Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, pawnshops, and FTZs

***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

Panama is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2007/cr0766.pdf>.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

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 to be used by the government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies. Agencies are under-resourced, often lacking the personnel and training to investigate and prosecute complex money laundering schemes. The shared funds, which will be jointly administered by the U.S. and Panamanian governments, are intended to address these issues.

Panama's financial intelligence unit, the UAF, reports directly to the Ministry of the Presidency. The UAF is considered to be ineffective due to a lack of resources and political independence. According to a broad range of sources, the UAF's requests to other governments for information often concern opposition political figures. The UAF lacks the capability to receive STRs in an electronic format, hindering analysis and timely investigations.

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, but has not yet had a noticeable effect on money laundering prosecutions. 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 August 7, 2013, *Panama America* reported that between December 2009 and May 2013, \$747.3 million of cash was declared and \$10 million was seized at the 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 trade and financial transactions oversight. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ,

but there is no official follow-through to verify its ultimate 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. In May 2013, the CFZ Administration terminated all employees in the Office of Money Laundering Prevention and Intellectual Property Rights, claiming inappropriate behavior by the employees. The office has not returned to normal operations.

As of November 2013, Panama has 15 Double Taxation Conventions, of which eight were reviewed and meet OECD peer standards. Panama also has nine Tax Information Exchange Agreements; four of these agreements meet peer standards.

While Panama recently passed legislation to immobilize bearer shares, this law goes into full effect only in 2018. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

Panama should improve its AML legal and regulatory frameworks, strengthen the prosecutor's office and the judicial system, and create a more transparent financial and trade network so that money laundering will become more difficult within Panama's borders.

## Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the border region shared with Argentina and Brazil (the tri-border area, or TBA) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possible 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. 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 including banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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:*** 2,098 in 2013  
***Number of CTRs received and time frame:*** 2,388,373: January - November 2013  
***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:*** 0 in 2013  
***Convictions:*** 0 in 2013

***RECORDS EXCHANGE MECHANISM:***

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

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation,

conducted by the IMF, can be found at:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

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

In 2013, Paraguay's Central Bank issued public reprimands to three banks and a letter of disapproval to one bank due to lax administrative oversight and weak internal controls that allowed the banks to be utilized for money laundering activity based out of Ciudad del Este. The amount laundered is estimated at close to \$500 million. Criminal investigations regarding this alleged money laundering are ongoing in Paraguay, and U.S. authorities opened criminal investigations against several of these banks' correspondent institutions in the United States.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The non-governmental organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited. In 2013, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) passed regulations to implement a 2012 law that requires politically exposed persons (PEPs) of foreign nationality be subject to enhanced due diligence procedures, as is required of domestic PEPs. For reporting entities that do not have a natural supervisory authority, SEPRELAD serves as the supervisor.

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 criminal prosecutions/convictions data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

Paraguay needs to strengthen its 2012 asset forfeiture legislation and its implementation of current asset forfeiture provisions. When seizures do occur, law enforcement authorities often cannot conduct maintenance on seized goods to preserve their value and do not conduct auctions as authorized by law.

People entering or leaving the country are required to declare to Customs values exceeding \$10,000 or its equivalent in other currencies. However, Customs operations at the airports or overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Although Paraguay made progress overall in improving its AML/CFT regime, concerns remain with regard to Paraguay's ability and commitment to prosecute suspected money laundering effectively, authorities' broader coordination capacity, and the weakness of institutional

frameworks. Paraguay should demonstrate the effectiveness of the legislation in force and of mechanisms it has put in place.

## Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is increasingly becoming an important player in Asia. 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 also 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 nearly \$1 billion during 2012.

The large Filipino expatriate community sends remittances that also provide a channel for money laundering. However, banks and money remitters are now able to capture the bulk of remittances, approximately 90 percent, sent by overseas Filipinos.

The Philippines is a leader in the use of cell phone technology for funds transfers. Although less prevalent, the Government of the Philippines has also 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 290 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:*** Banking institutions (universal, commercial, thrift, rural, cooperative banks, and 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:*** 19,888: January 1 - October 31, 2013  
***Number of CTRs received and time frame:*** 39,232,765: January 1 - October 31, 2013  
***STR covered entities:*** Banking institutions (universal, commercial, thrift, rural, cooperative banks, and 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; trusts 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:*** 3: January 1 - October 31, 2013  
***Convictions:*** 1: January 1 - October 31, 2013

***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 report can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

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

Amendments to the Anti-Money Laundering Act (AMLA), enacted in February 2013, expand the definition of money laundering in accordance with standards specified in international conventions to which the Philippines is a party; expand the list of covered institutions; and add human trafficking, environmental-related crimes, misappropriation of public funds, and violations of intellectual property laws as money laundering predicate crimes.

Revisions in 2012 to the AMLA Implementing Rules and Regulations call for enhanced due diligence for domestic and foreign politically exposed persons (PEPs) assessed as high risk for money laundering and terrorist financing, including family members and close associates. At a minimum, enhanced due diligence requires covered institutions to obtain senior management approval for establishing or continuing business relationships; take reasonable measures to establish their source of wealth/funds; and conduct continuing, enhanced monitoring of the business relationship.

Casinos and online gaming establishments currently are not covered institutions under the AMLA. The Anti-Money Laundering Council and PAGCOR are working to finalize proposed legislation to include gaming establishments under the AMLA. Considering unsuccessful attempts in the past to include casinos, enactment into law during the remaining two and a half years of the current administration may be a challenge without continued international pressure.

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 notable progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement.

## **Russia**

Money laundering continues to cost the Russian economy billions of dollars every year. In 2012, the Central Bank of Russia (CBR) estimated that \$49 billion left Russia illegally. Of this, \$35 billion left Russia through what the CBR terms “fictitious transactions,” which according to the CBR includes payment for narcotics, bribes to government officials, and tax evasion. 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. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption.

Official corruption remains a major problem at all levels of government. Despite several recent high profile anti-corruption actions by the Government of Russia, corruption 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, both 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. A leading Russian cybercrime investigation consulting firm, Group-IB, estimated the Russian domestic cybercrime market for 2011 at \$2.3 billion (part of a global market of \$12.5 billion), approximately double the level of 2010. Other estimates are much higher.

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:*** 10 million in 2012  
***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; 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 Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/n-r/russianfederation/>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2013, Russia enacted significant updates to its primary AML/CFT legislation to address several identified shortcomings. Notable elements include: beneficial owner definitions identifying any natural person who directly or indirectly owns more than 25 percent of a legal entity's equity or has other means to control such entity; access, with court approval, to information on bank accounts of both natural and legal persons for tax inspectors and law enforcement investigators; bank reporting to tax authorities of the opening and closing of bank accounts of natural persons; the right of banks to unilaterally decline to open an account or terminate an existing account of a client suspected of criminal activities; the ability of credit institutions to freeze any client's account if they suspect any involvement in extremist activities or terrorism; and making transferring funds to non-residents' accounts, using either falsified documents or smuggled cash, a criminal offense. While this new 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.

In 2013, Russia established a financial sector mega-regulator within the CBR. This was accomplished by bringing the Federal Financial Markets Service (FFSM), which is responsible for regulating insurance, pension funds, securities exchanges, and commodity markets, under the authority of the CBR, which is responsible for regulating banks. The FFSM had long been regarded as under-resourced and unable to offer the competitive salaries necessary to attract qualified employees. Its merger with the CBR, which has earned a solid reputation as an able regulator, is expected to increase oversight in previously poorly regulated sectors.

In addition to taking responsibility for regulating non-bank financial entities, the CBR, under its new leadership, has stepped up enforcement within the banking sector, revoking 24 banking

licenses in the first 11 months of 2013. In two of the largest cases, Master-Bank and Bank Pushkino, regulators explicitly cited AML compliance violations as reasons for the revocations. It is unclear how many of the other license revocations involved money laundering concerns.

This year, Russia also enacted new legislation designed to combat official corruption and money laundering. On May 19, 2013, new legislation came into force banning senior public officials and executives of state corporations, as well as their spouses and underage children, from setting up bank accounts or holding stocks or bonds overseas. In addition, while allowing ownership of property abroad, the legislation requires overseas property to be properly declared. Officials that are found to be in violation face dismissal based on “lack of trust.” State auditors can initiate investigations into officials based on information provided by journalists, law enforcement bodies, political organizations, and other sources. While this legislation was introduced with the goal of bringing capital back to Russia, a secondary objective is to make it more difficult to launder proceeds of official corruption offshore.

## Singapore

Singapore is a major international financial and investment center as well as a major offshore financial center. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore’s private banking and asset management sectors pose significant risks and make the jurisdiction a potentially attractive money laundering/terrorism financing destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations, and their supporters. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorism financing in general remains a risk.

As of November 1, 2013, there were 37 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately SGD\$1.63 trillion (approximately \$1.30 trillion). As of December 2012, Singapore had at least \$1.04 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 \$4.17 billion. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

Singapore has eight free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found 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, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 13,557 in 2011  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 27 in 2012  
*Convictions:* 28 in 2012

**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, a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FoR%20Singapore.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Singapore has a comprehensive STR regime and applies AML/CFT requirements to a broad range of entities. While banks and other institutions are required to report suspicious transactions, currently there is no requirement for mandatory reporting of all currency transactions above a certain threshold amount, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

Singapore’s legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate.

Singapore'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.

## Somalia

In 2013, with the support of the international community and regional governments, the Federal Government of Somalia made notable progress toward maintaining physical security gains, reducing piracy, improving health and food security, improving governance, and pursuing regional reconciliation. 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 institute political, financial, health, and security reforms. The Ministry of Finance completed a Public Financial Management Self-Assessment and Reform Plan in March 2013, which outlines the weaknesses of the current system and reforms needed to build more transparent institutions.

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 Somali workers overseas to their relatives in the Horn, 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 is a common occurrence, partly because customs officials lack the capacity to control points of entry. Piracy ransoms are generally spent and/or laundered in northern Somalia, but may also be laundered in neighboring countries, the Middle East, or Europe. Ransoms are reportedly delivered through cash drops to pirates holding ships off Somalia's coast and 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 important steps to improve transparency in its public financial management, including by implementing an automated Public Financial Management system and conducting audits of government revenues and expenditures, public 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 pirate ransoms, and possibly, helped to facilitate ransom laundering or the transfer of ransom money to foreign destinations.

Al-Shabaab continues to constitute the most significant terrorist threat to Somalia and the region. It 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, there is evidence to indicate al-Shabaab continues to profit from illegal charcoal exports that may be worth more than \$360 million a year on the international market. Al-Shabaab moves some of its funds via cash couriers, but a significant portion reportedly passes through hawaladars and other money or value transfer services. There also have been occasional reports of al-Shabaab extorting payments from pirates operating off the coast of territory it controls.

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).

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

Somalia is still attempting to stabilize itself, and 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 2013, however, there are no existing AML/CFT laws, and Somalia maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, needs extensive revisions. 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.

Somalia lacks a formal financial sector, with the exception of one commercial bank operating in Harguesa. There are no functioning government regulatory/supervisory agencies to oversee the Somali financial sector. Consequently, established money transmitters and hawaladars in Somalia are not subject to any customer due diligence or suspicious transaction reporting requirements, and would in any event have no credible governmental authority to which to provide AML/CFT-relevant information. Somalia imposes no financial record-keeping requirements; to the extent the international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards in order 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, Barclay's Bank in the UK announced it would close the accounts of Somali money transmitters. That decision, although primarily commercial in nature, highlights the risks posed by Somalia's failure to institute an AML/CFT regime.

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.

In theory, the Ministry of Finance and Planning (MFP) will reportedly be responsible for investigating financial crimes. That ministry lacks 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 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 MFP, and the wider government, struggle to combat internal corruption and the embezzlement of public funds. The July 2013 UN Somalia Eritrea Monitoring Group report claims the Somali Central Bank was used as a government "slush fund." Although Somalia hired private law and accounting firms to refute the report, the Central Bank Governor later resigned amidst allegations of corruption. In October 2013, the second Somali Central Bank Governor resigned, accusing the government of corruption. 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.

Somalia should continue taking steps to combat corruption, enhance its ability to cooperate internationally, begin to draft AML/CFT-related legislation, and take all necessary steps to become a member (or observer) 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 Somalia 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 a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe from Central and South America and North Africa. The serious focus of Spanish law enforcement on combating organized crime, drug trafficking, and money laundering over the last few years has reduced the country's attractiveness as an entry point.

Money laundering is related to drug trafficking and organized crime, as well as corruption, tax evasion, 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. Access in Spain to European financial institutions allows for the introduction of illicit funds into the global financial system.

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 new 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; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 2,975 in 2011  
*Number of CTRs received and time frame:* 644,006 in 2011  
*STR covered entities:* Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

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

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* 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/dataoecd/59/15/46253063.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various vulnerabilities, including donations to finance

nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as locutorios, communication centers that often offer wire transfer services, are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community.

In April 2010, Spain enacted a law to prevent money laundering and terrorist financing. The law introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals. Additionally, the law greatly enhances authorities’ capacity to combat terrorist financing by strengthening penalties and monitoring and oversight. The law entered into force immediately; however, implementing regulations are not yet fully promulgated. Spain should take action to ensure such regulations are established in a timely manner.

Spanish law does not allow civil forfeiture. Carrying more than 100,000 euros (approximately \$136,650) 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 proof of legal origin is provided. Cash transactions between businesses and professionals are restricted to less than 2,500 euros (approximately \$3,415). Failure to comply with the restrictions can result in an administrative fine equivalent to 25 percent of the total value of the payment. The limit for cash transactions for non-resident individuals is 15,000 euros (approximately \$20,500), to allow for tourists’ expenditures.

A working group has been created within the Commission for the Prevention of Money Laundering to promote the collection of statistics. Spain currently does not track the total number of prosecutions and convictions for money laundering. When money laundering occurs in conjunction with a predicate offense, only the predicate offense is tracked in a central statistics database. The numbers tracked for money laundering crimes only include those cases in which the conviction was for money laundering alone, without another offense. Spain should maintain and disseminate statistics on investigations and prosecutions.

## **St. Maarten**

Sint Maarten (St. Maarten) is a semi-autonomous entity 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. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity of other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. Many hotels operate casinos on the island and online gaming is legal and subject to supervision.

In St. Maarten, money laundering of criminal profits occurs through business investments, real estate purchases, and other international tax shelters.

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, 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, 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?option=com\\_docman&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en)

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

The Kingdom of the Netherlands 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.

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 2013, the RBC Royal Bank (Royal Bank of Canada) terminated its relationship with the Atlantis group of companies, including Atlantis World Management, which manages four casinos in St. Maarten. Indirect shareholder of Atlantis and registered beneficial owner, Francesco Corallo, was in custody in Italy for alleged fraud involving the Banco Popolare di Milano. Additionally, a strip club owner is under investigation for forgery, tax fraud, and money laundering. The case is related to a bribery investigation that allegedly involves a former deputy prime minister. A publicized video showed that an independent lawmaker appeared to accept stacks of money from the defendant as the two men discussed business permits.

St. Maarten and Curacao have a joint Central Bank. St. Maarten has a Tax Office Criminal Investigation Unit, a Financial Investigation Department, and its own FIU under the Ministry of Justice. The FIU has memoranda of understanding for information exchange with several countries. The government should continue to address insufficient staffing of the FIU and provide resources to enhance effective oversight. The Prosecutor’s Office should collaborate with Customs, Immigration, and the Coast Guard to increase the detection of currency smuggling. Prosecutors and the FIU should focus their investigations on tax fraud and seizing illegally obtained profits. The government should continue financial investigative training for police officers to enhance detection and enforcement.

The Government of St. Maarten’s AML/CFT regime should do more in regard to KYC rules, STR collection, criminalizing terrorism financing in line with international standards, and general enhancement of AML/CFT supervision in all sectors.

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. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles in 2010, and as successor, to St. Maarten. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

## Switzerland

Switzerland is a major international financial center. The country's central geographic location; relative political, social, and monetary stability; the range and sophistication of financial services it provides; and its long tradition of bank secrecy not only contribute to Switzerland's success as a major international financial center, but also continue to expose Switzerland to potential money laundering abuse.

Reports indicate that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorism financing, and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate the narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While generally well regulated, there are concerns casinos may be used to launder money. One possible method involves the structuring of cash purchases of casino chips or tokens to avoid reporting requirements and subsequently redeeming the chips for checks drawn on, or wire transfers from, casino bank accounts. Corrupt casino employees also have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found 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; investment companies; insurance companies; casinos; financial intermediaries; wealth managers and investment advisors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,585 in 2012  
***Number of CTRs received and time frame:*** Not applicable

**STR covered entities:** Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; casinos; financial intermediaries; wealth managers and investment advisors

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** 213 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:**

The number of suspicious activity reports decreased by 2.5 percent from 2011 to 2012, encompassing a total of CHF 3.2 billion (approximately \$3.4 billion), compared to CHF 3.3 billion (approximately \$3.5 billion) in 2011. In 2012, 15 reports were related to terrorism finance, amounting to CHF 7.47 million (approximately \$7.97 million).

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 or the International Olympic Committee are not businesses but associations. They do not pay taxes, and as associations, are exempted from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change applicable laws.

Since 2009, 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.

New rules, implemented on November 1, 2013, now allow the Swiss federal police force AML unit (MROS) to exchange financial information with other financial intelligence units, enhancing Switzerland's capacity to fight money laundering. In 2012, MROS replied to 598 requests for non-financial information from foreign countries. With the new, more permissive rules in place since November 1, the number of responses to requests from other jurisdictions is likely to increase.

## 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 only allowed in limited parts of Taiwan's territory but the extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly 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:*** Combined approach  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; trust and investment enterprises; credit cooperative associations; credit departments of farmers' associations; credit departments of fishermen's associations; Agricultural Bank of Taiwan; postal service institutions which also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment, consulting, and trust enterprises; securities finance enterprises; securities central depository enterprises; futures brokers; and retail jewelry businesses

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 5,009: January - October 2013

*Number of CTRs received and time frame:* 3,307,833: January - October 2013

*STR covered entities:* Banks; trust and investment enterprises; credit cooperative associations; credit department of farmers' associations; credit department of fishermen's associations; Agricultural Bank of Taiwan; postal service institutions which also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment, consulting, and trust enterprises; securities finance enterprises; securities central depository enterprises; futures brokers; and retail jewelry businesses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 20 in 2012

*Convictions:* 60 in 2012

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a 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 UNSCR 1267; deficiencies in customer due diligence (CDD) regulations, including in identifying and verifying customer identity; and, compared with international standards, the threshold for a serious money laundering offense is too high. 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. Draft legislative amendments to Taiwan's Money Laundering Control Act address a number of these deficiencies, but remain only in draft form.

Regulations regarding the reporting of transactions by jewelry stores came into force in January 2012, with stricter reporting requirements and a lower reporting threshold for transactions. Violations of these reporting requirements are subject to penalties under Taiwan's money laundering law. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. 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/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, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance systems, such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify 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.

## Thailand

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy, as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses, to move the profits of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawalas via money shops that service Middle Eastern travelers in Thailand.

Thailand was publicly identified by the FATF in 2010 for its strategic AML/CFT deficiencies, for which it developed an action plan. In February 2013, the FATF removed Thailand from its Public Statement after concluding Thailand had made significant progress and had completed all items on 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:** 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 \$67,000

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 74,596 in 2013  
**Number of CTRs received and time frame:** 1,062,020 in 2013  
**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:** 62: January 1 - October 31, 2013  
**Convictions:** 24: January 1 - October 31, 2013

**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:**

Under pressure from the international community, Thailand has made significant progress over the past year in its AML legal/regulatory framework. In 2013, Thailand passed the Anti-Money Laundering Act (No. 4) (2013) and the Counter Terrorism Financing Act (2013) which require customer due diligence, criminalize the tipping off of suspected money launderers, provide rules and procedures for creating terrorist designations and their listing and delisting, and enable

authorities to freeze the assets of designated persons without delay. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as compared to criminal enforcement. In spite of a high number of money laundering prosecutions, the conviction rate is low and has been for the last several years. Thai officials attribute the lack of convictions to the poor interface between the Thai Police and the Office of the Attorney General. Hopefully, the new Act will lead to more convictions with the addition of a number of new predicate crimes for money laundering.

The new Act also has transferred all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), which serves as Thailand's financial intelligence unit. In the past, supervision for AML purposes appears to have been lax across the spectrum of regulators. AMLO plans to assume its new supervisory role by 2015.

On October 17, 2013, Thailand became a party to the UN Convention against Transnational Organized Crime.

## Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. It continues to be a major transit route for Southwest Asian opiates moving to Europe. 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 prevalent, 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.

Money laundering takes place in banks, non-bank financial institutions, and the underground economy. Informed observers estimate as much as one-third of economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

The Government of Turkey's nonprofit sector is vulnerable to terrorism financing. Turkey's investigative powers, 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; all these areas need to be strengthened. The 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, although the financial intelligence unit, the Financial Crimes Investigation Board (MASAK), has increased education efforts. 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.

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. In its October 18, 2013 Public Statement, FATF recognized Turkey's progress, but noted Turkey still has strategic deficiencies that need to be addressed.

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, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 15,318 in 2012

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

***STR covered entities:*** Banks, the Central Bank, post office banks, and money exchanges; brokerage houses, investment houses, insurance companies, reinsurers, asset management companies, and leasing companies; realtors, auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

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

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

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

Turkey is a member of the FATF. Its most recent mutual evaluation can be found 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 passing a new terrorism finance law in February 2013, followed by an implementing regulation in May 2013. Turkey should take further steps to implement an adequate legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373. Turkey also should ensure terrorism financing has been adequately criminalized.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: improving customer due diligence; making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; and increasing the capacity of MASAK to allow greater data collection and analysis. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept statistics on prosecutions and convictions since 2009. In 2009, there were 15 prosecutions and three convictions. Since 2009, the MASAK, submitted 998 notifications of crime to the Public Prosecutor's office; of these, 177 were made in 2011 and 275 were made in 2012. 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.

## **Ukraine**

Although Ukraine does not have a regional banking or financial center, it has had close ties with other European banks. Recently, however, several international banks have pulled out of the country. In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms, or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional vulnerability is the level of corruption throughout society – both in the private and public sectors. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored.

Transnational organized crime 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 extortions. 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, shell companies, and financial institutions. 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. As many Ukrainians work abroad, worker remittances using banking transfers or via international payment systems amounted to approximately \$5.3 billion in the first nine months of 2013. 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:* NO *civilly:* YES

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

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

***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:*** 178,192 in 2012

***Number of CTRs received and time frame:*** 290,608 in 2012

***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:*** 72 in 2013

***Convictions:*** 36: January - September 2013

**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:**

While the Government of Ukraine has made some progress in strengthening its AML/CFT regime, it still needs to improve many aspects, such as enhancing due diligence requirements for domestic politically exposed persons (PEPs), addressing the criminal liability of legal persons, and including natural persons in the definition of beneficial ownership. Ukraine also should address the rise of cybercrime and related transnational organized criminal activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase its investigations of large-scale corruption and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture.

While Ukraine has signed and ratified the necessary 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 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 upwards of 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 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. Money laundering associated with terrorist and extremist groups includes both fund-raising 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 South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. 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 exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center, with another under development in Abu Dhabi, and 34 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the 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:* 2,576 in 2012  
*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. In July 2012, the Central Bank issued new hawala regulations making hawala registration mandatory, extending customer due diligence and suspicious transaction reporting (STR) obligations to hawaladars, and stipulating sanctions for non-compliance. Circulars were also sent to all obligated entities reminding them of compliance obligations related to UN list-based sanctions programs and FATF high-risk jurisdictions. The Anti-Money Laundering Suspicious Cases Unit (AMLSCU), the financial intelligence unit (FIU), issued cautionary notes to the public regarding dealing with unlicensed charitable associations and investment companies. Amendments to the AML Law, which have been in draft since 2010, have recently been discussed by the Ministerial Legislative Committee, as part of the final process for issuance. These amendments would expand the list of ML predicate offenses, among other improvements.

Several areas require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigation of ML/TF both federally at the AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information sharing capability to support cooperative efforts with counterpart FIUs. 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.

The UAE's tipping off provision has been expanded to include third parties and will be implemented by law, not regulation, if the amendments to the AML Law go into effect.

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. 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 *civily:* 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:*** 316,527: October 2012 - September 2013  
***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:*** Not available  
***Convictions:*** Not available

***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/media/fatf/documents/reports/mer/FoR%20UK.pdf>

***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. Nevertheless, in 2012 and 2013, in cooperation with U.S. authorities, the British Financial Services Authority (FSA) put in place a 25-point regulatory plan with which a large British-based bank must comply. The bank also agreed to pay a record \$1.92 billion in fines to U.S. authorities for allowing itself to be used for several years to launder drug money flowing out of Mexico, and for other banking lapses, including transferring funds from countries under international sanctions.

The FSA was split into the Prudential Regulation Authority (PRA), in charge of prudential regulation of banks and insurers, and the new Financial Conduct Authority (FCA) 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 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.

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.

From 2012 – 2013, the UK recovered a total of £154.25 million (approximately \$253 million) in assets. This figure covers civil recovery, criminal confiscation, cash forfeiture, and taxation for England, Wales, and Northern Ireland.

A further revision of the Money Laundering Directive was published in February 2013 and is currently being negotiated at an EU-wide level. In 2013, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, transitioned to the National Crime Agency.

## **Uruguay**

Although the Government of Uruguay took affirmative steps 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 75 percent of deposits and 50 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian criminal organizations are operating in Uruguay and Mexican criminal organizations are also likely present. There is continued concern about transnational organized crime originating in Brazil. In 2013, there were four high-profile cases related to the alleged laundering of funds from 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. 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 likely occur, and there is no indication of ties to terrorism financing.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. 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 13 free trade zones (FTZs) located throughout the country: three accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and, the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay.

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:*** YES

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

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and, other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 218: January – October 2013

*Number of CTRs received and time frame:* 7.6 million: January – October 2013

*STR covered entities:* Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and, other persons who carry out transactions or administer corporations on behalf of third parties

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 40: January – July 2013

*Convictions:* 2: January – July 2013

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.gafisud.info/pdf/InformeEMUruguay09.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Uruguay continued making AML/CFT progress in 2013. Main developments include moving forward with implementing the 2012-2015 National Strategy against money laundering by compiling all AML/CFT laws and regulations into a single compendium and signing two tax information exchange agreements. In 2013, Uruguay increased the technical staff of the AML Secretariat and granted the body the authority to require all obligated entities to provide requested information. The judiciary created a working group to coordinate actions among judges, prosecutors, and the AML Secretariat, and the government continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Although securities intermediaries and wire transferors/remitters are required to file STRs, over 96 percent of reports are still submitted by the financial sector. In 2012, the FIU designed a set of early warning indicators to use its comprehensive database more effectively.

Uruguay does not maintain annual public records on prosecutions, convictions, or amount of seized assets related exclusively to AML/CFT cases. In 2013, Uruguay participated in its first asset sharing case and the number of AML prosecutions increased. Money laundering prosecutions can take several years, and most end with a conviction. From 2005 until mid-2013, 283 individuals were prosecuted for laundering money. In the first half of 2013, 40 individuals were prosecuted compared with 47 individuals prosecuted in 2012. Most of the prosecutions were connected to human trafficking as a predicate crime.

In the first half of 2013, Uruguay seized approximately \$77,000 worth of vehicles and auctioned off \$67,000 worth of vehicles seized in previous years. Since 2007, the FIU froze funds on six occasions for a total of \$1.7 million; the FIU did not freeze any assets in 2013.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering and should work with non-financial obligated entities, such as notaries or real estate brokers, to improve suspicious transaction reporting.

## Venezuela

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, weaknesses in its AML regime, limited bilateral cooperation, and substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations and abuse of Venezuela's government-controlled foreign-currency allocation mechanisms.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent method for laundering regional narcotics proceeds. Converting narcotics-generated dollars into Venezuelan bolivars and then back into dollars is no longer attractive for money-laundering purposes given Venezuela's rampant inflation (approximately 50 percent in 2013) and the current bureaucratic challenges for converting bolivars into dollars.

In February 2013, following positive action to improve noted weaknesses, the FATF removed Venezuela from the list of countries with 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/rfs/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN 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 *civily:* YES

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

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card

operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; 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:* 1917 in 2012

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

*STR covered entities:* Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 134 in 2012

*Convictions:* 78 in 2012

**RECORDS EXCHANGE MECHANISM:**

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

*With other governments/jurisdictions:* YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a 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=328&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=328&Itemid=418&lang=en)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Venezuela implemented its 2010 action plan and improved AML/CFT deficiencies. Venezuela's executive branch approved regulations that strengthen the supervision of banks and securities intermediaries through the Superintendent of Banking Sector Institutions (SUDEBAN) and the National Superintendent of Securities, respectively. In the banking sector, the regulations require enhanced due diligence for higher-risk activities, customer profiles, and categories of customers – distinctions that did not exist prior to these regulations. In the securities sector, the regulations require securities intermediaries to determine the origin and destination of funds, conduct comprehensive customer due diligence, appoint compliance officers, maintain internal committees for prevention and control of money laundering, and have a code of ethics. However, the effectiveness of the 2012 Organic Law Against Organized Crime and the Financing of Terrorism that defines and sanctions both organized crime and terrorist financing remains compromised by the politicized judicial system.

The June 2012 Joint Resolution Number 122 and the August 2012 Resolution Number 158, grant the government the ability to freeze terrorist assets.

The SUDEBAN supervises Venezuela's financial intelligence unit (UNIF). The UNIF should operate autonomously, independent of undue influence. The National Office against Organized

Crime and Terrorist Finance has limited operational capacity. Venezuela should increase institutional infrastructure and technical capacity to effectively implement AML/CFT legislation and legal mechanisms.

The U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with UNIF, after the unauthorized disclosure of information provided by FinCEN in January 2007.

## Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and corruption. 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 now carried out with either the U.S. dollar or the South African rand. The Government of Zimbabwe's switch to this "multi-currency regime" significantly reduced opportunities for money laundering and the commission of other financial crimes via exploitation of the multiple exchange rates and opaque foreign exchange controls that were in place until 2009.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on both 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. In 2013, the EU significantly reduced the number of individuals and entities under sanctions from 91 to 11. Following the de-listing of the Zimbabwe Mining Development Corporation (ZMDC) from the EU's list of sanctioned entities in September 2013, financial crime could begin to fall, as buyers have an increased number of legal channels through which to purchase diamonds from Zimbabwe. By contrast, the United States maintains sanctions on the ZMDC, so it remains illegal for U.S. persons to transact with this corporation.

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:** 230: January 1 - October 31, 2013  
**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 here: [http://www.esaamlg.org/userfiles/Zimbabwe\\_detailed\\_report.pdf](http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

AML legislation is sometimes abused for political purposes. More broadly, widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime. In June 2013, the government took important steps to improve its AML/CFT regime by enacting the Money Laundering and Proceeds of Crime Act (MLPCA), addressing Zimbabwe's deficiencies with regard to civil forfeiture, international cooperation, suspicious transaction reporting on the part of designated non-financial businesses and professions, and the criminalization of terrorist financing.

Although legislators from all parties in the former Government of National Unity (GNU) had increased scrutiny of the government's activities, that enhanced oversight may wane now that just one party, the Zimbabwe African National Union-Patriotic Front, controls a supermajority of parliament and several reform-oriented ministers from the opposition party, including the finance minister, are no longer in the government. However, Parliament's 20 portfolio committees, including some chaired by opposition MPs, continue to offer opportunities for oversight of the executive branch. For example, under the GNU, the parliamentary committee on mining held officials to account for government actions in the Marange diamond fields. As a result, the Ministry of Finance 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, and although a draft act has

not yet been produced, the new Minister of this department has promised to improve accountability within the diamond mining sector.

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 new regulations aimed at beginning its implementation of its obligations to identify and freeze terrorist assets under UNSCRs 1267 and 1373.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance (MLA). Prior to the MLPCA, there were no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense. However, while mutual legal assistance has been available for the investigation and prosecution of money laundering offenses, it was not available for terrorist financing matters. 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. Zimbabwe should now work to demonstrate that it can and will engage in timely and effective international cooperation to combat illicit finance.

There were a number of prosecutions and convictions for money laundering between January and November 2013, although the exact figures are not available because there is no centralized system for compiling and collating such statistics. The FIU referred 15 cases to the relevant law enforcement agencies for further investigation between January and October 2013; the outcomes of those investigations are still pending.

On January 30, 2013, Zimbabwe became a party to the International Convention for the Suppression of the Financing of Terrorism.

Zimbabwe should continue to make progress on these issues and work to ensure that its financial intelligence unit is fully operational and effectively functioning. Additionally, Zimbabwe should work to ensure that across-the-board implementation of the MLPCA has begun. Zimbabwe should criminalize human trafficking and piracy.