



**United States Department of State**

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

**International  
Narcotics Control  
Strategy Report**

**Volume II**

**Money Laundering**

**March 2018**

## Table of Contents

Common Abbreviations .....	5
Definitions.....	8
Legislative Basis and Methodology for the INCSR .....	13
Overview .....	15
Bilateral Training Activities .....	18
Board of Governors of the Federal Reserve System (FRB) .....	18
Department of Homeland Security .....	19
Immigration and Customs Enforcement (ICE) .....	19
Department of Justice.....	20
Drug Enforcement Administration (DEA) .....	20
Federal Bureau of Investigation (FBI) .....	20
Money Laundering And Asset Recovery Section.....	21
Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) .....	22
Department of State.....	23
Department of the Treasury .....	25
Internal Revenue Service, Criminal Investigations (IRS-CI) .....	25
Office of the Comptroller of the Currency (OCC) .....	26
Office of Technical Assistance (OTA) .....	26
Comparative Table Key .....	28
Comparative Table .....	30
Afghanistan.....	36
Albania.....	38
Algeria .....	40
Antigua and Barbuda .....	42
Argentina .....	44
Armenia .....	46
Aruba .....	48
Azerbaijan .....	50
Bahamas.....	51
Barbados .....	54
Belgium .....	55
Belize .....	57
Benin.....	59
Bolivia.....	61
Bosnia and Herzegovina .....	63
Brazil .....	65
British Virgin Islands .....	67

---

<b>Burma</b> .....	<b>69</b>
<b>Cabo Verde</b> .....	<b>71</b>
<b>Cambodia</b> .....	<b>73</b>
<b>Canada</b> .....	<b>75</b>
<b>Cayman Islands</b> .....	<b>77</b>
<b>China, People’s Republic of</b> .....	<b>79</b>
<b>Colombia</b> .....	<b>81</b>
<b>Costa Rica</b> .....	<b>83</b>
<b>Cuba</b> .....	<b>85</b>
<b>Curacao</b> .....	<b>87</b>
<b>Cyprus</b> .....	<b>89</b>
<b>Dominica</b> .....	<b>93</b>
<b>Dominican Republic</b> .....	<b>95</b>
<b>Ecuador</b> .....	<b>97</b>
<b>Egypt</b> .....	<b>99</b>
<b>El Salvador</b> .....	<b>101</b>
<b>Georgia</b> .....	<b>103</b>
<b>Ghana</b> .....	<b>105</b>
<b>Guatemala</b> .....	<b>107</b>
<b>Guinea-Bissau</b> .....	<b>109</b>
<b>Guyana</b> .....	<b>111</b>
<b>Haiti</b> .....	<b>113</b>
<b>Honduras</b> .....	<b>115</b>
<b>Hong Kong</b> .....	<b>117</b>
<b>India</b> .....	<b>119</b>
<b>Indonesia</b> .....	<b>121</b>
<b>Iran</b> .....	<b>123</b>
<b>Italy</b> .....	<b>125</b>
<b>Jamaica</b> .....	<b>127</b>
<b>Kazakhstan</b> .....	<b>129</b>
<b>Kenya</b> .....	<b>131</b>
<b>Kyrgyz Republic</b> .....	<b>133</b>
<b>Laos</b> .....	<b>135</b>
<b>Lebanon</b> .....	<b>137</b>
<b>Liberia</b> .....	<b>139</b>
<b>Macau</b> .....	<b>141</b>
<b>Malaysia</b> .....	<b>143</b>
<b>Mexico</b> .....	<b>145</b>

---

<b>Morocco .....</b>	<b>147</b>
<b>Mozambique .....</b>	<b>149</b>
<b>Netherlands.....</b>	<b>151</b>
<b>Nicaragua.....</b>	<b>153</b>
<b>Nigeria.....</b>	<b>155</b>
<b>Pakistan.....</b>	<b>157</b>
<b>Panama.....</b>	<b>159</b>
<b>Paraguay .....</b>	<b>161</b>
<b>Peru .....</b>	<b>163</b>
<b>Philippines .....</b>	<b>165</b>
<b>Portugal.....</b>	<b>167</b>
<b>Russian Federation .....</b>	<b>168</b>
<b>Senegal .....</b>	<b>171</b>
<b>Serbia .....</b>	<b>172</b>
<b>Sint Maarten.....</b>	<b>174</b>
<b>South Africa.....</b>	<b>176</b>
<b>Spain.....</b>	<b>178</b>
<b>St. Kitts and Nevis.....</b>	<b>180</b>
<b>St. Lucia .....</b>	<b>182</b>
<b>St. Vincent and the Grenadines .....</b>	<b>184</b>
<b>Suriname.....</b>	<b>186</b>
<b>Switzerland .....</b>	<b>187</b>
<b>Tajikistan.....</b>	<b>190</b>
<b>Tanzania.....</b>	<b>191</b>
<b>Thailand.....</b>	<b>193</b>
<b>Trinidad and Tobago.....</b>	<b>195</b>
<b>Turkey.....</b>	<b>197</b>
<b>Turkmenistan .....</b>	<b>199</b>
<b>Ukraine.....</b>	<b>201</b>
<b>United Arab Emirates.....</b>	<b>203</b>
<b>United Kingdom.....</b>	<b>205</b>
<b>Uruguay .....</b>	<b>207</b>
<b>Uzbekistan .....</b>	<b>209</b>
<b>Venezuela.....</b>	<b>211</b>
<b>Vietnam.....</b>	<b>213</b>

## Common Abbreviations

1988 UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BMPE	Black Market Peso Exchange
CBP	Customs and Border Protection
CDD	Customer Due Diligence
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
DHS/HSI	Department of Homeland Security/Homeland Security Investigations
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
FinCEN	Department of the Treasury's 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

GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter Governmental Action Group against Money Laundering
IBC	International Business Company
ILEA	International Law Enforcement Academy
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service, Criminal Investigations
ISIL	Islamic State of Iraq and the Levant
KYC	Know-Your-Customer
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
MSB	Money Service Business
MVTS	Money or 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
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
PEP	Politically Exposed Person
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering

TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UNGPML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development

## Definitions

**419 Fraud Scheme:** An advanced fee fraud scheme, known as “419 fraud” in reference to the fraud section in Nigeria’s criminal code. This specific type of scam is generally referred to as the Nigerian scam because of its prevalence in the country. Such schemes typically involve promising the victim a significant share of a large sum of money, in return for a small up-front payment, which the fraudster claims to require in order to cover the cost of documentation, transfers, etc. Frequently, the sum is said to be lottery proceeds or personal/family funds being moved out of a country by a victim of an oppressive government, although many types of scenarios have been used. This scheme is perpetrated globally through email, fax, or mail.

**Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT):** Collective term used to describe the overall legal, procedural, and enforcement regime countries must implement to fight the threats of money laundering and terrorism financing.

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

**Black Market Peso Exchange (BMPE):** One of the most pernicious money laundering schemes in the Western Hemisphere. It is also one of the largest, processing billions of dollars’ worth of drug proceeds a year from Colombia alone via TBML, “smurfing,” cash smuggling, and other schemes. BMPE-like methodologies are also found outside the Western Hemisphere. There are variations on the schemes involved, but generally drug traffickers repatriate and exchange illicit profits obtained in the United States without moving funds across borders. In a simple BMPE scheme, a money launderer collaborates with a merchant operating in Colombia or Venezuela to provide him, at a discounted rate, U.S. dollars in the United States. These funds, usually drug proceeds, are used to purchase merchandise in the United States for export to the merchant. In return, the merchant who import the goods provides the money launderer with local-denominated funds (pesos) in Colombia or Venezuela. The broker takes a cut and passes along the remainder to the responsible drug cartel.

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

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

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

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

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

**Digital Currency:** Digital currency is an internet-based form of currency or medium of exchange, distinct from physical currencies or forms of value such as banknotes, coins, and gold. It is electronically created and stored. Some forms are encrypted. They allow for instantaneous transactions and borderless transfer of ownership. Digital currencies generally can be purchased, traded, and exchanged among user groups and can be used to buy physical goods and services, but can also be limited or restricted to certain online communities, such as a given social network or internet game. Digital currencies are purchased directly or indirectly with genuine money at a given exchange rate and can generally be remotely redeemed for genuine monetary credit or cash. According to the U.S. Department of Treasury, digital currency operates like traditional currency, but does not have all the same attributes; i.e., it does not have legal tender status.

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

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

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

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

**Free Trade Zone (FTZ):** A special commercial and/or industrial area where foreign and domestic merchandise may be brought in without being subject to the payment of usual customs duties, taxes, and/or fees. Merchandise, including raw materials, components, and

finished goods, may be stored, sold, exhibited, repacked, assembled, sorted, or otherwise manipulated prior to re-export or entry into the area of the country covered by customs. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to customs. FTZs may also be called special economic zones, free ports, duty-free zones, or bonded warehouses.

**Funnel Account:** An individual or business account in one geographic area that receives multiple cash deposits, often in amounts below the cash reporting threshold, and from which the funds are withdrawn in a different geographic area with little time elapsing between the deposits and withdrawals.

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

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

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

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

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

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

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

**Mutual Evaluation (ME):** All FATF and FSRB members have committed to undergoing periodic multilateral monitoring and peer review to assess their compliance with FATF’s

recommendations. Mutual evaluations are one of the FATF's/FSRB's primary instruments for determining the effectiveness of a country's AML/CFT regime.

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

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

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

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

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

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

**Placement:** This is the first stage of the money laundering process. Illicit money is disguised or misrepresented, then placed into circulation through financial institutions, casinos, shops, and other businesses, both local and abroad. A variety of methods can be used for this purpose, including currency smuggling, bank transactions, currency exchanges, securities purchases, structuring transactions, and blending illicit with licit funds.

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

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

**Suspicious Transaction Report/Suspicious Activity Report (STR/SAR):** If a financial institution suspects or has reasonable grounds to suspect that the funds involved in a given transaction derive from criminal or terrorist activity, it is obligated to file a report with its

national FIU containing key information about the transaction. In the United States, SAR is the most common term for such a report, though STR is used in most other jurisdictions.

**Tipping Off:** The 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. The FATF Recommendations call for such an action to be criminalized.

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

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

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

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

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

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

## Legislative Basis and Methodology for the INCSR

The 2018 volume on *Money Laundering* is a legislatively-mandated section of the annual International Narcotics Control Strategy Report (INCSR), in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291).<sup>1</sup>

The FAA requires the State Department to produce 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)).

In addition to identifying countries in relation to 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 volume is the section of the INCSR that reports on money laundering and country efforts to address it.

The statute defines a “major money laundering country” as one “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking” (FAA § 481(e)(7)). The determination is derived from the list of countries included in INCSR Volume I (which focuses on narcotics) and other countries proposed by U.S. government experts based on indicia of significant drug-related money laundering activities. Given money laundering activity trends, the activities of non-financial businesses and professions or other value transfer systems are given due consideration.

Inclusion in Volume II is not an indication that a jurisdiction is not making strong efforts to combat money laundering or that it has not fully met relevant international standards. The INCSR is not a “black list” of jurisdictions, nor are there sanctions associated with it. The U.S. Department of State regularly reaches out to counterparts to request updates on money laundering and AML efforts, and it welcomes information.

The following countries/jurisdictions have been identified this year:

### Major Money Laundering Jurisdictions in 2017:

Afghanistan, Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Aruba, Azerbaijan, Bahamas, Barbados, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Burma, Cabo Verde, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Cuba, Curacao, Cyprus, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Georgia, Ghana, Guatemala, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Italy, Jamaica, Kazakhstan, Kenya, Kyrgyz Republic, Laos, Lebanon,

<sup>1</sup> This 2018 report on Money Laundering is based upon the contributions of numerous U.S. government agencies and international sources. Specifically, the U.S. Treasury Department’s Office of Terrorist Financing and Financial Crimes, Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance; Department of Homeland Security’s Homeland Security Investigations and Customs and Border Protection; Department of Justice’s Money Laundering and Asset Recovery Section, National Security Division, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

Liberia, Macau, Malaysia, Mexico, Morocco, Mozambique, Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Russia, Senegal, Serbia, Sint Maarten, South Africa, Spain, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Switzerland, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, and Vietnam.

## Overview

As political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems, the continued development of effective AML regimes consistent with international standards and able to meet evolving challenges is vital. Money laundering facilitates drug trafficking and fuels criminal activity around the world. It is a key tool of drug traffickers, transnational criminal organizations, and terrorist groups, and it contributes to the breakdown of the rule of law, the corruption of public officials, and destabilization of economies. This threat is recognized as a national security priority of the United States in the 2018 National Security Strategy and the 2017 Executive Order 13773, *Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking*. This report is one response to the threat.

The *2018 International Narcotics Control Strategy Report, Volume II: Money Laundering* provides a review of the AML legal and institutional infrastructure of each country or jurisdiction, describes key vulnerabilities, highlights the most significant steps each country or jurisdiction has taken to improve its AML regime, and describes each country or jurisdiction's capacity to share information and cooperate in international investigations. The report focuses on countries and jurisdictions affected by money laundering related to narcotics trafficking. The report also highlights the United States government's provision of AML-related technical assistance.

Since the G-7 created the FATF in 1989, the international community has been working determinedly to develop the procedures and practices necessary to expose criminal proceeds and take them out of the hands of organized crime and drug trafficking syndicates. As a founding member of the FATF, the United States has worked within the organization, and with partner countries, to promote compliance with the FATF's 49 Recommendations and the development and implementation of robust AML regimes at the country/jurisdiction level. The issues highlighted in the Recommendations, such as identification and reporting of suspicious transactions, identification of the true beneficial owner of such transactions, and frameworks and practices for international cooperation on money laundering investigations and prosecutions, remain as germane today as when FATF was created.

Money laundering – as with many other forms of crime – continues to evolve and pose new challenges. The rapid growth of global mobile payments (m-payments) and cyber currencies demands particular attention. In some areas of the world, particularly Africa and South Asia, sending and receiving money or credit by phone is now more commonplace than owning a bank account. While m-payments have enormous potential for good, the risk that criminal and terrorist organizations will co-opt m-payment services is real. The financial transparency of such services can be problematic. Similarly, cyber currencies are growing in popularity and expanding their reach. Regulators and law enforcement are finding themselves hard-pressed to respond to rapid development in e-payment methodologies. The Philippines and South Africa have added virtual currency exchanges as covered entities for AML supervision purposes; and Bolivia is among the countries taking action to monitor the use of these currencies.

Corruption continues to be a significant by-product of the international drug trade and transnational organized crime, particularly in countries where political will may be weak, institutions ineffective, or the country's AML infrastructure deficient. The highest levels of government in Guinea-Bissau continue to be complicit in the drug trade, with senior military officials designated by the United States as drug kingpins. Encouragingly, governments are increasing their efforts to stem this tide of corruption. Ecuador arrested its sitting vice president and a former minister of hydrocarbons, both later convicted of bribery. Albania has convicted three judges, including a Supreme Court justice; one prosecutor; and one mayor. Curacao investigated, charged, or convicted numerous former officials, including the former prime minister and former central bank president; and Brazil has arrested former and current ministers, members of Congress, political party operatives, and employees at parastatals.

Offshore centers, free trade zones, and gaming enterprises also continue to attract illicit funds. These sectors offer convenience and, often, anonymity to those wishing to hide or launder the proceeds of narcotics trafficking and other serious crimes. After implementing stricter enforcement procedures, Belize announced a six-month moratorium on new licenses for certain types of securities trading companies. Similarly, with some exceptions, India banned foreign portfolio investors from issuing offshore derivative instruments or participatory notes. Canada brought provincially-operated online casinos under its AML regime, and Honduras has begun registering gaming entities.

The transparency of beneficial ownership continues to be a global issue. Particularly troublesome are "off-the shelf" IBCs, purchased via the internet, through which nominee directors from a different country may effectively provide anonymity to the true beneficial owners. Shell companies are used by drug traffickers, organized criminal organizations, corrupt officials, and the sanctioned regime in North Korea to launder money and evade sanctions. To increase the transparency of company ownership, Lebanon and Paraguay enacted legislation to abolish bearer shares. The British Virgin Islands, Cayman Islands, Costa Rica, and Uruguay are developing or have established registers of beneficial owners and/or made this information available to law enforcement and other pertinent government entities, or in some cases, the general public.

Economic citizenship programs are also vulnerable to money laundering activity and must be closely monitored and regulated to prevent their abuse by criminals. U.S. law enforcement is increasingly concerned about the expansion of these programs due to the visa-free travel and ability to open bank accounts accorded to these individuals.

To help address these issues, in 2017, U.S. government experts delivered an extensive range of training programs, mentoring, and support for supervisory, law enforcement, prosecutorial, customs, and FIU personnel, and private sector entities. U.S. government agencies provided significant financial support to other organizations to provide similar capacity-building activities, leveraging their unique expertise and reach. These U.S.-supported efforts build capacity to fight narcotics trafficking and other crimes facilitated by money laundering in partner jurisdictions. As the 2018 INCSR reflects, these efforts are resulting in an increase in investigations, prosecutions, and convictions, more robust institutions, and stronger compliance with international standards.

The Department of State looks forward to continuing to work with our U.S. and international partners in furthering this important agenda, promoting compliance with international norms, and strengthening capacities globally to combat money laundering and address drug trafficking and transnational organized crime.

## **Bilateral Training Activities**

During 2017, 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. The programs have been designed to provide the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

## **Board of Governors of the Federal Reserve System (FRB)**

Internationally, during 2017, the FRB conducted training and provided technical assistance to banking supervisors on AML topics during six seminars held in: Abu Dhabi, United Arab Emirates; Nassau, Bahamas; Panama City, Panama; New York, New York; Abuja, Nigeria; and Mexico City, Mexico. Countries participating in these FRB initiatives were Armenia, Bahamas, Bahrain, Belize, Brazil, Cayman Islands, El Salvador, Gambia, Ghana, Guatemala, Haiti, Honduras, Hong Kong, India, Israel, Jamaica, Jordan, Kenya, Korea, Kuwait, Lebanon, Lesotho, Liberia, Malawi, Malaysia, Mexico, Nigeria, Oman, Panama, Paraguay, Philippines, Qatar, Russian Federation, Saudi Arabia, Singapore, Sri Lanka, St. Kitts and Nevis, Suriname, Swaziland, Trinidad and Tobago, Turks and Caicos, and Zimbabwe.

## **Department of Homeland Security**

### **Immigration and Customs Enforcement (ICE)**

In Fiscal Year 2017, ICE Homeland Security Investigations (HSI) Illicit Finance and Proceeds of Crime Unit conducted AML trainings to the following respective foreign law enforcement partners to share typologies, methodologies, and approaches to combat illicit finance.

Representatives from Argentina, Australia, Colombia, Europol, France, Hong Kong, Kazakhstan, Kosovo, Singapore, Taiwan, UK, members of the Asian-Pacific Association of Certified Anti-Money Laundering Specialists, and the Five Eyes Law Enforcement Group International Controllers Workshop participated in the programs.

#### **Trade Transparency Units (TTU)**

The TTU, housed within the ICE National Targeting Center, continues to provide critical exchange of trade data with numerous countries. The TTU established information sharing agreements with 14 countries to facilitate the identification of transnational criminal organizations utilizing TBML schemes to repatriate proceeds generated from multiple illegal activities, including drug and human smuggling, customs fraud, and intellectual property rights violations, among others. The TTU methodology, which provides U.S. law enforcement and international partners with subject matter expertise, training, and investigative tools to combat TBML and third-party money launderers, has been internationally recognized as a best practice to address TBML.

ICE continues to expand the network of operational TTUs, which now includes Argentina, Australia, Chile, Colombia, Dominican Republic, Ecuador, France (cost and market impact review sharing), Guatemala, Mexico, Panama, Paraguay, Peru, Philippines, and Uruguay.

## **Department of Justice**

### **Drug Enforcement Administration (DEA)**

The DEA's Office of Global Enforcement/Financial Investigations (OGF) provides guidance to DEA's domestic and foreign offices, and international law enforcement agencies, on issues relating to all aspects of financial investigations. OGF 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, OGF facilitates cooperation between countries, resulting in the identification and prosecution of drug money laundering organizations and the seizure of assets and denial of revenue. OGF regularly briefs and educates United States diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narcoterrorism financing, international banking, offshore corporations, international wire transfers of funds, and financial investigations.

In conjunction with the DEA Office of International Training, OGF conducts training for foreign counterparts to share strategic ideas and promote effective techniques in financial investigations. During 2017, OGF assisted with a money laundering seminar for Guatemalan prosecutors and investigators. In addition, OGF, in coordination with the Department of State, participated in a money laundering technical exchange working group with officials from Dubai in the United Arab Emirates; traveled to Bogota, Colombia to meet with law enforcement counterparts to discuss financial investigations and programs; participated in money laundering and organized crime working groups with law enforcement officials in Dublin, Ireland and Sibiu, Romania; participated in a virtual currency money laundering working group in Helsinki, Finland; met with government officials in Bangkok, Thailand regarding money laundering issues involving the banking industry; participated in a Regional Target Workshop in Mexico City, Mexico; as well as met with police counterparts from the Netherlands in support of ongoing illicit currency bilateral investigations and programs.

### **Federal Bureau of Investigation (FBI)**

The Federal Bureau of Investigation (FBI) provided training and/or technical assistance to national law enforcement personnel in Central and South America, the Middle East, Eurasia, and Europe during 2017. All training and technical assistance programs were designed to enhance host country law enforcement's capacity to investigate and prosecute narcotics-related money laundering crimes.

In July 2017, FBI provided a three-day workshop for the British Financial Commission Authority, introducing high-level money laundering techniques for criminal and terrorist organizations. There were approximately 150 police officers and intelligence officers that

participated in this workshop. Although the FBI funded this course, the results of the training indirectly supported the U.S. Embassy, London.

In September 2017, FBI provided two 40-hour courses under a Department of State, INL, interagency agreement supporting Argentina's Fusion Intelligence Center. The two courses were conducted in Buenos Aires and San Salvador De Jujuy. These courses were focused on intelligence as it relates to drug trafficking organizations. Sixty intelligence analysts attended each of the two iterations. The course provided a foundational understanding of drug trafficking investigative and analytical techniques and tactics. Both iterations used case studies as the bases for several practical exercises for the participants. As a result of the training, the Argentinian investigative analysts were better able to exploit intelligence/information to create finished products for Argentinian law enforcement.

At the request of the U.S. Embassy, Islamabad, Pakistan, FBI provided training to Pakistani law enforcement, focusing on money laundering and public corruption. FBI provided a 40-hour course in September 2017 to approximately 40 Pakistani police officers and intelligence analysts on money laundering techniques utilized by criminal and terrorist organizations. As a result of this training, the U.S. Embassy, through the Legal Attaches office, developed a stronger relationship with liaison partners.

In September, 2017, the Department of Justice, OPDAT, requested FBI provide a terrorism finance and money laundering seminar to 35 Guatemalan law enforcement officials in Guatemala City, Guatemala. The course objectives were to provide Guatemalan government officials with elevated counterterrorism financial investigative skills and knowledge. The course's primary focus was on terrorism financing crimes and their relationship to drug trafficking as a support for financial terrorism activities.

## **Money Laundering And Asset Recovery Section**

In addition to participating in and providing technical assistance in formal training organized by OPDAT and meetings with OPDAT-sponsored study tour participants, in 2017, the MLARS International Unit provided training as an AML expert at training programs and conferences organized by many other organizations. These trainings and conferences include techniques and concepts relevant to all types of criminal money laundering and related asset recovery, and often address specific relevant international standards.

Specifically, MLARS participated in the following programs: training in October 2017 organized by the International Legal Institute in China for Chinese law enforcement; training organized by OAS in May 2017 for law enforcement from the following countries: Barbados, Belize, Dominica, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname; UNODC-organized training for a global audience in February 2017; training organized by INL in November 2017 in Colombia for Colombian law enforcement; and training organized by INL in March 2017 in Oman concerning financial investigations and asset recovery. Additional speakers at this workshop included DOJ's Office of International Affairs and the U.S. Marshals Service.

## **Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT)**

OPDAT builds strong foreign partners who can work with the United States to fight crime before it reaches our shores and to enhance cooperation in transnational cases. In 2017, with funding from INL, OPDAT provided expert assistance to counterparts throughout the world to combat money laundering consistent with international standards and in furtherance of U.S. national security.

### **Africa**

OPDAT worked with the Government of Nigeria to complete two handbooks addressing matters related to the investigation, prosecution, and adjudication of complex economic and financial crimes, including money laundering. OPDAT, in coordination with DHS, worked with The Gambia to improve its abilities to organize and conduct financial investigations, including money laundering, to retrieve money illicitly laundered by President Yahya Jammeh, who fled the country in 2017. In August 2017, OPDAT's Senior Anti-Corruption Counsel and other U.S. experts conducted a seminar at the ILEA in Botswana on corruption and asset recovery for investigators and prosecutors from five East African nations.

### **Asia and the Pacific**

OPDAT Indonesia conducted 10 AML programs for 277 officials, while also assisting with preparations for the country's mutual evaluation. OPDAT Philippines supported the continuing rollout of the 2012 Amendment to the Anti-Money Laundering Act by conducting four AML programs for 180 officials. In Bangladesh, OPDAT conducted four AML programs for approximately 82 participants. OPDAT Malaysia conducted two AML programs for 70 officials. OPDAT Timor-Leste conducted two AML trainings for 50 officials.

### **Western Hemisphere**

OPDAT Mexico provided specialized training for members of federal and state AML units, provided mentoring for Mexico on active money laundering and asset forfeiture cases, instruction in trial advocacy (with respect to money laundering cases), and assistance to legislators in revising Mexico's asset forfeiture laws. In Honduras, OPDAT continued its efforts to help Honduras develop and implement an AML regime compliant with international standards. OPDAT Guatemala conducted regular money laundering and asset forfeiture trainings to help prosecutors handling all types of criminal investigations more effectively identify and seize assets for forfeiture. In El Salvador, OPDAT provided technical assistance to money laundering and asset forfeiture units, including case-based mentoring, support with legislative reforms, and financial investigations trainings directed at investigators and prosecutors. OPDAT's Judicial Studies Institute, based in Puerto Rico, offered its first Special Course on Asset Forfeiture. Seventeen judges from Colombia, El Salvador, Mexico, and Panama participated.

## Department of State

The DOS' Bureau of International Narcotics and Law Enforcement strengthens criminal justice systems and law enforcement agencies around the world. Through its international programs, as well as in coordination with other DOS bureaus, U.S. government agencies, and multilateral organizations, INL addresses a broad cross-section of law enforcement and criminal justice areas.

As in previous years, INL training programs focus on both bilateral and multilateral efforts. Training and technical assistance programs are designed for and provided to countries that demonstrate the political will to develop viable AML regimes. INL funds many of the regional training and technical assistance programs offered by U.S. law enforcement agencies, including those provided at the INL-managed International Law Enforcement Academies.

Examples of successful INL sponsored programs include:

**Afghanistan:** In August 2017, INL funded a Financial Criminal Investigations Workshop for 52 Afghan participants from specialized police and prosecution units combatting corruption, narcotics production and trafficking, money laundering, and terrorist financing. Speakers included representatives of the Afghan government, DOJ, the Special Inspector General for Afghanistan Reconstruction, and an INL-funded OTA advisor. Following the August workshop, at which Afghan interagency cooperation was a topic, concrete improvements in cooperation between police and prosecutors at the Counter Narcotics Justice Center (CNJC) and the Afghan FIU were observed. As one example, the FIU provided the CNJC with expert reviews of ledgers seized from a suspect hawaladar that has fed into a CNJC criminal case and led to sufficient evidence to revoke the hawaladar's license.

**Africa:** The INL-funded, UNODC-implemented AML/CFT project has been successfully delivered in 10 West African countries. UNODC identified and trained 111 national trainers who replicated the trainings to more than 3,000 law enforcement and judicial officers. The Schools of Gendarmerie in Niger and Cote D'Ivoire now include financial investigative modules in their training programs, an outcome of this project. Further, host country government officials have indicated that convictions for money laundering in Mali, Ghana, and Senegal, and for terrorism financing in Niger, were obtained due to the AML/CFT project.

**Palestinian Authority (PA):** Led by the Palestinian Monetary Authority's Financial Follow-up Unit, the PA established a national risk committee (banking, law enforcement, commercial sector, and government) and with INL-funded support, that committee has issued its national risk assessment report, which is now under review. As a next step, the PA will develop its strategic plan to address those AML/CFT challenges and gaps identified by the national risk assessment. In addition to the foregoing, the Attorney General's Office has established a special economic crime unit to focus on AML/CFT cases and that unit is now reaching out to other law enforcement agencies to provide guidance and training on the investigation and prosecution of money laundering cases.

**Western Hemisphere:** In 2017, the new criminal investigations unit of the Dominican Republic's Attorney General's Office received training and support under the Caribbean Basin Security Initiative. Additionally, in July 2017, INL funded the attendance of Guyanese Special Organized Crimes Unit officers at a mock trial event in Trinidad and Tobago focused on money laundering. Through the U.S.-Mexico security partnership, the Merida Initiative, INL trained and equipped Mexico's FIU to improve capacity to block bank accounts for suspicious transactions, resulting in a significant increase in the number of accounts blocked in 2016. INL/Bogota provides assistance aimed at strengthening the Government of Colombia's AML capacity by providing specialized training for officials involved in the investigation and prosecution of money laundering cases, supporting inter-institutional cooperation, promoting a better understanding of the risks associated with money laundering within Colombia, and contributing to the Colombian FIU's technological development and innovation.

## Department of the Treasury

### Internal Revenue Service, Criminal Investigations (IRS-CI)

For calendar year 2017, IRS-CI continued to provide training and technical assistance to international law enforcement officers in detecting and investigating financial crimes related to taxes, money laundering, terrorist financing, and public corruption. With funding provided by the U.S. DOS, DOJ, and other sources, IRS-CI delivered training through agency and multiagency technical assistance programs.

#### **International Law Enforcement Academy (ILEA) Training**

IRS-CI participated in training at the INL-funded ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; Accra, Ghana; and San Salvador, El Salvador. Programs included Financial Investigative Techniques training, Financial Investigations for Public Corruption, and support for the Law Enforcement Leadership Development courses. During 2017, IRS-CI delivered nine specialized courses at the ILEAs for over 350 participants.

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

IRS-CI conducted two Financial Investigative Techniques courses, with funding provided by INL for 31 participants from the Barbados Revenue Authority in Bridgetown, Barbados and 26 participants from Antigua, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines in St. Georges, Grenada.

With funding provided by DOJ-OPDAT, IRS-CI conducted a Financial Investigative Techniques course in Panajachel Sololá, Guatemala for 20 participants from Guatemala and 10 from El Salvador.

IRS-CI conducted a Financial Investigative Techniques course, funded by the Korean National Tax Service in Seoul, Korea for 49 participants.

#### **Financial Investigations for Public Corruption**

With funding provided by INL, IRS-CI conducted a Financial Investigations for Public Corruption course for 36 participants from the Thailand Office of National Anti-corruption Commission in Bangkok, Thailand.

#### **Other Training Initiatives**

With funding provided by INL, IRS-CI conducted an Instructor Development course for 24 participants from the Royal Thai Police in Bangkok, Thailand.

IRS-CI instructors participated as guest speakers in OPDAT-sponsored money laundering and asset forfeiture courses in Dili, Timor-Leste and Mexico City, Mexico.

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

The U.S. Department of the Treasury's Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks and federal savings associations in the United States. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, the U.S. primary AML law; consumer protection laws; and implementing regulations. In 2017, 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 2017 AML/CFT School was attended by foreign supervisors from Canada, China, United Arab Emirates, Caribbean jurisdictions, EU, El Salvador, Honduras, Hong Kong, India, Indonesia, Japan, Latvia, Liberia, Netherlands, Panama, Paraguay, Philippines, Singapore, and Suriname. 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, FIUs, 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.

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

Each of OTA's five teams – Revenue Policy and Administration, Budget and Financial Accountability, Government Debt and Infrastructure Finance, Banking and Financial Services, and Economic Crimes – focuses on particular areas to establish strong financial sectors and sound public financial management in developing and transition countries. OTA follows a holistic approach to technical assistance and supports self-reliance by equipping countries with the knowledge and skills required to reduce dependence on international aid and achieve sustainability. OTA is selective and only works with governments that are committed to reform – reform that counterparts design and own – and to applying U.S. assistance effectively. OTA works side-by-side with counterparts through mentoring and on-the-job training, which is accomplished through co-location at a relevant government agency. OTA's activities are funded by a direct appropriation from the U.S. Congress as well as transfers from other U.S. agencies, notably the U.S. Department of State and the U.S. Agency for International Development.

The mission of the OTA Economic Crimes Team (ECT) is to provide technical assistance to help foreign governments develop and implement internationally compliant AML/CFT regimes. In this context, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. To ensure successful outcomes, ECT engagements are predicated on express requests from foreign government counterparts. The ECT responds to a request with an onsite assessment by ECT management, which considers the jurisdiction's non-compliance with international standards and the corresponding needs for technical assistance, as well as the willingness by the counterparts to engage in an 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 and/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 a 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 on-the-job and classroom training provided by the ECT is equally broad and includes, among other topics, supervisory techniques for relevant 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 financial crimes working groups.

In 2017, following these principles and methods, the ECT delivered technical assistance to Afghanistan, Argentina, Belize, Burma, Cabo Verde, Dominica, the Eastern Caribbean Central Bank, Grenada, Iraq, Jamaica, Liberia, Paraguay, Peru, Sri Lanka, St. Vincent and the Grenadines, and Trinidad and Tobago.

## Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2016, that jurisdictions have, or have not, taken to combat drug 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 3, all items should be answered "Y" (yes) or "N" (no). **For those questions relating to legislative or regulatory issues, "Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML regime should be explained in the report narrative, 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. "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.
- 3. "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; "V" signifies reporting is not required but rather is voluntary or optional; "N" signifies no reporting regime. (STRs)
- 4. "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.
- 5. "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.
- 6. "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter drug money laundering. An asterisk (\*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.
- 7. "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.
- 8. "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 drug money laundering activities.

- 9. “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.
- 10. “Information Exchange Agreements with Non-U.S. Governments”: The country/jurisdiction has in place treaties, memoranda of understanding, or other agreements with other governments to share information related to drug-related money laundering.
- 11. “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.
- 12. “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.
- 13. “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.
- 14. “Financial Institutions Transact in Proceeds From International Drug Trafficking That Significantly Affects the U.S.”: The jurisdiction’s financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.

## 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	Know-Your-Customer Provisions	Report Suspicious Transactions (YVN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects t the U.S.
	Govt/Jurisdiction													
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Albania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Algeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Antigua and Barbuda	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Armenia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Aruba <sup>2</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Benin	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N

<sup>2</sup> The Netherlands extended its application of the 1988 UN Drug Convention to Aruba, Curacao, and Sint Maarten and the UN Convention against Transnational Organized Crime to Aruba.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
<b>Govt/Jurisdiction</b>														
<b>Bolivia</b>	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
<b>Bosnia &amp; Herzegovina</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Brazil</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>British Virgin Islands<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Burma</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Cabo Verde</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Cambodia</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Canada</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Cayman Islands<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>China</b>	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	N
<b>Colombia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Costa Rica</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Cuba</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Curacao<sup>1</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N

<sup>3</sup> The UK extended its application of the 1988 UN Drug Convention to British Virgin Islands and Cayman Islands. The UNCAC has been extended to British Virgin Islands. The UNTOC has been extended to British Virgin Islands and Cayman Islands.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
<b>Govt/Jurisdiction</b>														
<b>Cyprus<sup>4</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Dominica</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Dominican Republic</b>	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y
<b>Ecuador</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Egypt</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>El Salvador</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Georgia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ghana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Guatemala</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Guinea-Bissau</b>	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N
<b>Guyana</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y
<b>Haiti</b>	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N
<b>Honduras</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Hong Kong<sup>5</sup></b>	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>India</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Indonesia</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

4

Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y*	N	Y	N	N/A	N/A	N/A	N/A	N
---------------------------------------	---	---	---	---	---	----	---	---	---	-----	-----	-----	-----	---

<sup>5</sup> The People's Republic of China extended the 1988 UN Drug Convention, the UNTOC, and the UNCAC to the special administrative region of Hong Kong.

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Int'l Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S. govts</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.</b>
<b>Govt/Jurisdiction</b>														
<b>Iran</b>	Y	Y	Y	Y	Y	Y*	N	N	N	Y	Y	N	Y	N/A
<b>Italy</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Jamaica</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Kazakhstan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Kenya</b>	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y
<b>Kyrgyz Republic</b>	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N
<b>Laos</b>	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	N
<b>Lebanon</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Macau<sup>4</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Mexico</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Morocco</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mozambique</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Netherlands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Nicaragua</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Nigeria</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Pakistan</b>	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y
<b>Panama</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Paraguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S. govts</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.</b>
<b>Govt/Jurisdiction</b>														
<b>Peru</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Philippines</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Portugal</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Russia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>St. Kitts and Nevis</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Lucia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Vincent and the Grenadines</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Senegal</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Serbia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Sint Maarten<sup>1</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>South Africa</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Spain</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Suriname</b>	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	N	N
<b>Switzerland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Tajikistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Tanzania</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Thailand</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Trinidad and Tobago</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkey</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S. govts</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.</b>
<b>Govt/Jurisdiction</b>														
<b>Turkmenistan</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>United Arab Emirates</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>United Kingdom</b>	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
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y

\* FIU is not a member of the Egmont Group of FIUs

## **Afghanistan**

### **OVERVIEW**

Terrorist and insurgent financing, money laundering, bulk cash smuggling, abuse of informal value transfer systems, and other illicit activities financing criminal activity continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer and exporter. Corruption remains a major obstacle to the nation's progress. The National Unity Government (GNU) has enacted laws and regulations to combat financial crimes, but faces a significant challenge in implementing and enforcing the law.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The illicit narcotics trade, corruption, illegal mineral extraction, and fraud are major sources of illicit revenue. Afghanistan has a small banking sector, but large enforcement and regulatory challenges, even though most of its banks strive to adhere to international standards. Traditional payment systems, particularly hawala networks, provide a range of financial and non-financial business services in local, regional, and international markets. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, enabling smugglers to cross with relative ease.

### **KEY AML LAWS AND REGULATIONS**

Afghanistan has a comprehensive AML law. Significant provisions include an adequate legal basis to criminalize money laundering; KYC and STR provisions; establishment of an operationally independent FIU; and the authority to confiscate funds or property derived from criminal activity, to dispose of such property, and to hold the proceeds of criminal profits in an asset recovery/sharing fund. In June 2015, Afghanistan issued Fit and Proper Regulations to ensure financial institutions are well managed and persons who own or control them are competent and meet certain criteria. In May 2015, Afghanistan issued Cash Courier Regulations establishing a cross-border currency reporting requirement. Amendments to that regulation in 2016 ensure that seizure or restraint of funds is authorized where there is a suspicion of money laundering.

Although Afghanistan's Law on Extradition of the Accused, Convicted Individuals, and Legal Cooperation allows for extradition based upon multilateral arrangements, such as the 1988 UN Drug Convention, Article 28 of the Afghan Constitution requires reciprocal agreements between Afghanistan and the requesting country. The United States does not have an extradition treaty with Afghanistan and cannot reciprocate under the multilateral treaties. There is no bilateral MLAT between the United States and Afghanistan, but both countries are parties to multilateral conventions that provide a legal basis for assistance.

Afghanistan is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=69810087-f8c2-47b2-b027-63ad5f6470c1>.

**AML DEFICIENCIES**

Afghanistan should ensure market manipulation and counterfeiting are predicates for money laundering and strengthen supervision of financial institutions and DNFbps, to ensure their compliance with AML regulations. The poor security environment prevents the central bank and FIU from supervising all MSBs and money exchanges; nevertheless, these regulatory bodies should devise new ways to expand supervision and implementation of the MSB/hawala licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about licensing and transaction reporting requirements. Regulators and enforcement officers need adequate security and resources to supervise the financial sector and investigate financial crimes.

Precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised as financial businesses in Afghanistan.

**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, and poor infrastructure. Many hawaladars use the formal banking sector, where a level of transparency exists, for day-to-day operations and to settle balances with other hawaladars both domestically and abroad. However, hawaladars generally fail to file STRs because they believe it is the responsibility of the bank, an issue not completely addressed by the FIU. Insurance companies and securities dealers are also required to file STRs, but the government does not enforce this requirement.

The Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU, often works with limited information and shallow databases when building financial intelligence products for the AGO. When working with the AGO, FinTRACA often faces possible corruption and administrative hurdles regarding prosecution, which limit further cooperation. The AGO is authorized to prosecute money laundering and seize illicit assets, but its new management team, seated in the second half of 2016, has yet to effectively grapple with weak prosecutorial capacity to pursue money laundering cases and asset seizures. Furthermore, the Afghan government has yet to establish a recovery mechanism for the value of assets seized, and therefore no entity, including the police and courts, has responsibility for post-conviction asset recovery. FinTRACA's leadership is dynamic and anxious to pursue the organization's objectives.

In 2017, requests for FinTRACA products increased 300 percent over 2016, and compliance fines surpassed the 2016 total. FinTRACA also conducted a first-ever survey of hawalas in Helmand province. The FinTRACA team, along with interagency counterparts, looked for unregistered hawaladars and reviewed the books of registered hawaladars for evidence of compliance with Afghanistan's AML/CFT framework. New MOUs are being created and proposed between FinTRACA and Afghan government agencies to help strengthen the country's AML/CFT regime.

Kabul International Airport lacks effective currency controls for all passengers.

Law enforcement officers, prosecutors, and judges need continued training on effective, lawful asset seizure, and the GNU should work with international partners to implement procedures for money laundering seizures.

The GNU should continue to increase seizure and confiscation procedures in cases involving narcotics and drug trafficking. Afghanistan should also strengthen inspection controls and enforcement of the currency declaration regime at airports.

## **Albania**

### **OVERVIEW**

Albania is not a regional financial or offshore center. The country remains at significant risk for money laundering due to rampant corruption and weak legal and government institutions.

Albania has a large cash economy and informal sector, with significant money inflows from abroad in the form of remittances. Major proceeds-generating crimes in Albania include drug trafficking, tax evasion, smuggling, and human trafficking. Albania has a substantial black market for smuggled goods, and smuggling is facilitated by weak border controls and customs enforcement. Albania produces and exports significant amounts of marijuana, primarily for European use, and is a transit country for Afghan heroin and cocaine, serving as a key gateway for heroin distribution throughout Europe. Albania serves as a base of operations for regional organized crime organizations. Illicit proceeds are easily laundered.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Real estate (particularly in the coastal areas), business development projects, and gaming are among the most popular methods of hiding illicit proceeds. Law enforcement recognizes the need to combat money laundering but remains largely ineffective in doing so. The Albanian State Police has a dedicated Economic Crime Unit tasked with AML efforts, while police and prosecutors continue to receive training on this subject. Better collaboration between police and prosecutors is needed.

The vetting of judges and prosecutors called for in the 2016 constitutional reforms began in November 2017. Currently, the files are being reviewed, and it is anticipated hearings will start in early 2018. Prior to the start of vetting, media reported an increase in the movement of assets out of Albania.

### **KEY AML LAWS AND REGULATIONS**

Albania has CDD and STR requirements in place. In 2016 and 2017, the Albanian parliament passed several significant constitutional and legal reforms aimed at tackling corruption and organized crime. These include substantial reforms of the judicial and prosecutorial system, vetting of judges and prosecutors for corruption and ties to organized crime, and a revamped law

governing civil and criminal confiscation. The reforms, if implemented properly, will result in better enforcement of money laundering and other financial crime laws.

Albania and the United States do not have a MLAT, but cooperation is possible through multilateral conventions.

Albania is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/albania>.

### **AML DEFICIENCIES**

Albania has a substantial black market for smuggled goods, primarily tobacco, jewelry, stolen cars, and mobile phones. Smuggling is facilitated by weak border controls and customs enforcement.

Some, but not all, Albanian courts require a simultaneous conviction for a predicate offense before issuing a conviction for money laundering, even though the law specifically states no predicate offense is necessary. The Supreme Court has not issued a controlling decision. In 2017, the anti-mafia confiscation law was amended to address its previous limitations. Specifically, the amended law added provisions for non-conviction-based asset forfeiture and decentralized jurisdiction of forfeiture, enabling prosecutors within each municipality to pursue asset forfeiture related to criminal investigations. Despite changes to the law to enhance the ability of prosecutors to investigate and seize assets related to criminal proceeds, deficiencies remain with application of the law.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2016, Albania passed substantial amendments to its Constitution to reform the justice system, including vetting judges and prosecutors for corruption and links to organized crime, and creating an independent, vetted, and monitored court, prosecution office, and investigation agency for cases of high-level corruption and organized crime, to include organized narcotics traffickers. Fifteen laws necessary for the implementation of the constitutional changes were passed prior to the June 2017 parliamentary elections. Albania's parliament has already appointed a commission to vet judges and prosecutors, monitored by international observers. Albania must implement the laws effectively and continue to develop the capacity of its police and prosecutors that focus on corruption, money laundering, and economic crimes.

While the Government of Albania passed criminal code reforms and legislative amendments in 2012, implementation efforts have been weak. The more substantial reforms of 2016 and 2017 are meant to build a more effective system, but implementation of these reforms is still occurring. Despite a sizeable number of money laundering investigations over the previous years, the number of money laundering prosecutions remains low. However, Albania has begun to use confiscation in prominent cases. A Supreme Court justice and her husband were convicted of corruption in June 2017, the highest official convicted of corruption in Albania. To substitute for the bribe proceeds that disappeared, €50,000 (approximately U.S. \$59,000) were seized and confiscated from their bank accounts.

The government has taken steps to combat official corruption, but it needs to continue to address judicial and prosecutorial corruption. Since the lifting of immunity for judges and high officials in 2012, prosecutors have investigated at least 38 high-level officials, locally-elected officials, judges, and prosecutors.

Prosecutions led by the Serious Crimes Prosecution Office have resulted in the convictions of three judges, one prosecutor, and one locally elected mayor on corruption charges. Another judge was convicted, but this was overturned on appeal and is awaiting retrial. One prosecutor and two prison officials await trial on charges of corruption.

## **Algeria**

### **OVERVIEW**

The extent of money laundering through Algeria's formal financial system is thought to be minimal due to stringent regulations and a banking sector dominated by state-owned banks. Algerian authorities monitor the banking system closely. The system is highly bureaucratic and provides for numerous checks on all money transfers. The continued prevalence of archaic, paper-based systems and banking officials not trained to function in the modern international financial system further deter money launderers who are more likely to use sophisticated transactions. A large informal, cash-based economy, estimated at 40 percent of GDP, is vulnerable to abuse by criminals. Notable criminal activity includes trafficking, particularly of drugs, cigarettes, arms, and stolen vehicles; theft; extortion; and embezzlement. Public corruption and terrorism remain serious concerns. Additionally, porous borders allow smuggling to flourish.

The country is generally making progress in its efforts to combat money laundering and financial crimes. Over the past three years, the government has updated its criminal laws on terrorist financing and issued new guidelines for the Bank of Algeria and the Ministry of Finance's Financial Intelligence Processing Unit (CTRF), Algeria's FIU.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The restricted convertibility of the Algerian dinar enables the central bank to monitor all international financial operations carried out by banking institutions. Most money laundering is thought to occur primarily outside the formal financial system, through tax evasion, abuse of real estate transactions, and commercial invoice fraud. Algerian authorities are increasingly concerned by cases of customs fraud and TBML. The sprawl of the informal economy and extensive use of cash heighten the risk of financial crimes.

Al-Qaida in the Islamic Maghreb, which operates in parts of Algeria, is known to raise money through, among other methods, drug trafficking and drug trading, as well as extortion and taxes imposed on smugglers.

---

**KEY AML LAWS AND REGULATIONS**

There were no legislative changes noted in 2017. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive Decree no. 13-157 on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153 fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02 establishing rules for the application of the penal code to AML/CFT.

AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding U.S. \$1,000. In addition, all payments for certain purchases in excess of the following amounts must be completed via the banking system: approximately U.S. \$44,200 for real estate; or approximately U.S. \$8,800 for goods and services. Non-compliance with these provisions could result in sanctions against the individual and/or financial institution for money laundering or terrorist financing.

Algeria is a member of the MENAFATF, a FATF-style regional body. Its most recent MER can be found at: <http://menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-peoples-democratic-republic>.

**AML DEFICIENCIES**

Challenges remain in implementation of Algeria's AML regime. A self-analysis by the CTRF continues to identify a need to educate bankers to increase the accuracy of reporting. While the CTRF has provided some information on the number of cases it is processing, additional information would be needed to further evaluate implementation.

Only foreign PEPs are covered under enhanced due diligence requirements.

There is no information available on money laundering prosecutions or convictions.

**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The CTRF actively analyzes STRs, compiles and disseminates AML-related information to banks; and engages in some level of quantitative and qualitative self-analysis. A CTRF report in summer 2017 indicates STRs declined by 50 percent over the same period in 2016. The reason for this steep decline is unknown.

The United States-Algeria MLAT, signed in April 2010, was ratified by the United States and Algeria and entered into force on April 20, 2017.

## **Antigua and Barbuda**

### **OVERVIEW**

Antigua and Barbuda has a very small free trade zone and an offshore financial center, which is an important part of the country's economy, and operates a Citizenship by Investment Program (CIP) that makes it susceptible to money laundering and other financial crimes. Antigua and Barbuda is a transit point for illegal drugs going to the United States and Europe. According to the Antiguan Office of National Drug Control and Money Laundering Policy (ONDCP), the FIU, the collaborative efforts between Antigua and Barbuda and U.S. law enforcement agencies brought about a decrease in drug trafficking activity.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering, narcotics trafficking, gaming, and firearms trafficking are sources of illicit funds in the country. Funds are laundered through the purchase of real estate, vehicles, vessels, and jewelry, as well as through a variety of businesses. Money also has been laundered through wire transfers and the co-mingling of illicit funds through front operations.

In 2017, the government lowered prices for economic citizenship, halving the processing fee and the contribution to the National Development Fund (NDF). An individual is eligible for economic citizenship with a U.S. \$400,000 minimum investment in real estate, a contribution to the NDF of U.S. \$100,000, or a U.S. \$1.5 million approved business investment. Applicants must pay a processing fee of U.S. \$25,000 for a family of four, plus due diligence fees of U.S. \$7,500 for each adult applicant. Applicants must make a source of funds declaration and provide evidence supporting the declaration. Nationals of several countries, including Iran, Afghanistan, Iraq, North Korea, Somalia, and Yemen are prohibited from applying for citizenship unless they are lawful permanent residents of Canada, the United States, or the UK. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process. The CIU does not maintain adequate autonomy from politicians to prevent political interference in its decisions. In February 2017, Antigua and Barbuda approved a CIP application for Alexandre Cazes (since deceased), the alleged operator of AlphaBay, the world's largest dark web marketplace.

Shell companies are not permitted. 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 corporation's intended activities, the names of shareholders, and number of shares they will hold. Registered agents or service providers are compelled by law to identify beneficial owners.

Casinos maintain a strong presence in the country, although the internet gaming industry has declined. According to the Financial Services Regulatory Commission (FSRC), as of October 2017, there are four internet gaming enterprises. FSRC regulates internet gaming companies, and the ONDCP maintains records of payouts over U.S. \$25,000. Regulations require internet gaming companies to incorporate as IBCs, and the majority of key managers must maintain a physical presence on the island.

Under the International Banking Act 2016, No. 6, all offshore international banks are required to pay corporate income tax; however, the government has not implemented the legislation. According to government sources, as of March 2017, there are 11 offshore international banks. In May 2017, the government passed the International Banking (Amendment) Bill 2017, which allows offshore banks to loan money to the government and its statutory bodies.

### **KEY AML LAWS AND REGULATIONS**

Several laws were enacted or amended in 2017, including the Money Laundering (Prevention) Act 2017; Money Laundering (Prevention) (Amendment) Regulations 2017; Money Laundering (Prevention) (Amendment) (No. 2) Regulations 2017; and Money Laundering & Financing of Terrorism Guidelines update.

The country has comprehensive KYC and STR requirements and enhanced due diligence for PEPs.

Antigua and Barbuda is a member of the CFATF, a FATF-style regional body. Its most recent MER 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).

### **AML DEFICIENCIES**

Antigua and Barbuda has largely achieved technical compliance with international AML standards.

There are media reports of officials allegedly involved in money laundering and corruption.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Antigua and Barbuda continues to work to improve its AML regime. The country is in the process of finalizing its national risk assessment, which should be completed in the first half of 2018.

The government is considering the establishment of a court, staffed with experts in financial crimes and asset recovery, to deal expeditiously with serious crime matters.

In 2017, there was one money laundering prosecution but no convictions. Antigua and Barbuda, through ONDCP, is currently working on six civil recovery/forfeiture cases.

In 1999, the ONDCP restrained certain deposits on the grounds the funds were connected to money laundering related to acts of corruption committed by former Prime Minister of Ukraine Lazarenko. In 2016, U.S. \$66.7 million of these frozen assets were transferred to the Antiguan government's forfeiture fund, based upon a court ruling that the funds had been forfeited.

In 2016, U.S. prosecutors alleged that government officials from Antigua and Barbuda participated in a scheme involving the payout of close to U.S. \$4 million in bribes by Brazilian construction contractor Odebrecht. The corruption allegations involve two high-level officials and two offshore banks in Antigua and Barbuda. According to authorities, Antigua and Barbuda continues to investigate allegations of money laundering and, currently, there are more than U.S. \$70 million frozen in one or more offshore banks.

## **Argentina**

### **OVERVIEW**

Argentina faces many of the same challenges confronted throughout the region, including stemming the tide of illicit proceeds from narcotics trafficking and public corruption. In addition, multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) shared with Brazil and Paraguay, which is a base for counterfeiting, drug trafficking, and other smuggling offenses. Persons and businesses linked with the terrorist organization Hizballah operate widely within the TBA. Although moving in the right direction, Argentina still lags behind the hemisphere in implementing adequate mechanisms to effectively prevent, detect, investigate, and prosecute money laundering and related crimes.

Under President Mauricio Macri, Argentina has taken significant steps to strengthen its AML/CFT regime. Recent reforms include much-needed improvements to Argentina's FIU and the adoption of a risk-based AML/CFT compliance approach consistent with international standards. Despite these positive steps, limited regulatory and criminal enforcement capabilities raise serious concerns about the Argentine government's current ability to effectively reduce the flow of illicit proceeds.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Contraband smuggling, including narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant amounts of revenue. Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, both state and private, MVTS businesses, exchange houses, real estate, and gaming are particularly susceptible. Argentina also lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash. Its cash-intensive economy and large informal sector create additional opportunities for criminals to inject illicit proceeds. Criminal operations often utilize offshore jurisdictions and establish legal entities in other countries to launder illicit proceeds internationally. TBML schemes also have been detected.

### **KEY AML LAWS AND REGULATIONS**

In 2017, Argentina enacted key AML regulations that mandate a risk-based approach to AML compliance and require CTRs. It also enacted a law that permits greater sharing of financial intelligence among AML government stakeholders. Argentina has negotiated tax information exchange agreements with several countries, including the United States, which will facilitate increased transparency of offshore assets held by Argentine nationals.

Foreign and domestic PEPs are subject to enhanced due diligence.

Argentina is a member of the FATF and of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofargentina.html>.

### **AML DEFICIENCIES**

Despite recent reforms and clear political will to effect change, effective implementation of the AML regime will continue to be a significant challenge for the government. Argentina has still not completed an AML/CFT national risk assessment. Many DNFBBs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML compliance. Full implementation of the CTR requirement and use of a risk-based approach will likely take years.

Argentina still lacks an adequate legal framework to control contraband smuggling and bulk cash smuggling. Bulk cash smuggling presents a significant challenge given inadequate border controls and lack of resources for outbound enforcement of customs laws. Neither does it have an adequate legal framework to seize, manage, and forfeit illicit assets.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Since entering office in December 2015, the Macri administration has made a strengthened and professional FIU central to its AML/CFT and anti-corruption strategy, and the FIU has made significant upgrades to improve its operational effectiveness. The FIU has an outsized role in the AML regime, largely in response to both a lack of law enforcement capacity and an absence of clear strategies by the other stakeholders to combat these crimes. The FIU participates as a party to criminal cases and is attempting to do so in a more strategic fashion. The compartmentalization of information and lack of interagency coordination between the FIU and federal security forces presents a significant challenge.

Argentina and the United States have a MLAT in place. The United States and Argentina participate in the Argentina-U.S. Dialogue on Illicit Finance (AUDIF), a bilateral initiative with the main objective of identifying shared money laundering and terror financing threats and vulnerabilities and to implement counter-strategies and initiatives.

Argentina has recently adopted legal and procedural reforms which could improve its ability to target and prosecute drug trafficking and other criminal organizations. These reforms allow enhanced use of informants, undercover officers, and criminal defendants in investigations and trials. Widespread use of these measures has not yet occurred, partly because investigators,

prosecutors, and judges are inexperienced in their use. Additionally, the laws authorizing these measures include restrictions that limit their use and effectiveness. Efforts are underway to amend these restrictions.

Regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, has been limited. Argentina has successfully prosecuted only a small number of money laundering cases. Systemic deficiencies in Argentina's criminal justice system persist, including lengthy delays and a lack of judicial and prosecutorial independence. Investigative judges and prosecutors lack experience in financial crimes and there is limited collaboration among the AML stakeholders.

## **Armenia**

### **OVERVIEW**

Insufficient transparency and statistics hinder money laundering analysis in Armenia. Money laundering crimes may be unreported, undetected, or protected. Legal persons are not criminally liable for money laundering. Armenia has not made recent progress in enforcing money laundering, organized crime, or corruption criminal laws. In 2016, there were no money laundering prosecutions or convictions, according to the Financial Monitoring Center (FMC), Armenia's FIU.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Armenia is located on a trade route between narcotics source countries and European and Russian markets. Armenia maintains control over law enforcement, prosecution, and judiciary functions; however, Russian border guards staff Armenia's land borders with Turkey and Iran and provide immigration staff at international airports in Yerevan and Gyumri.

In 2016, Armenia ratified a joint border and customs agreement with Iran. This may pose a money laundering and narcotics trafficking vulnerability, if fully implemented.

Corruption, smuggling, the real estate sector, the shadow economy, and widespread use of cash constitute vulnerabilities. Casinos are legal and regulated by the Ministry of Finance. There is insufficient transparency and statistical data to allow for accurate insight into how money is laundered, how investigations are handled, or what actors hinder the fight against narcotics-related or other money laundering.

### **KEY AML LAWS AND REGULATIONS**

In 2014, amendments to the Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law) and 14 other laws regulating the AML/CFT framework became law. Article 190 of the AML/CFT Law criminalizes money laundering and the money laundering legal framework is generally solid. The central bank regulates the financial sector, including the banks

that account for about 90 percent of all financial system assets. The financial sector is required to implement KYC provisions and report suspicious transactions to the FMC.

Armenia is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/armenia>.

### **AML DEFICIENCIES**

Armenia needs to address several areas to increase its compliance with international AML standards. Armenia should focus on building the capacity and political will to identify and assess money laundering risks; apply criminal liability to legal persons; simplify investigative techniques; create sanctions for legal persons' failure to provide the State Register with registration information, including beneficial ownership information and changes in shareholders; enable the Chamber of Advocates to conduct on-site inspections; increase authorities' powers to request information from casinos; require additional scrutiny for domestic PEPs; increase fit and proper requirements to prevent criminals from being professionally accredited or holding a management function; create sanctions for AML breaches; enable and require enforcement authorities to pursue proactive parallel financial investigations; and create formal arrangements to coordinate seizure or confiscation actions with other countries.

The significance of the illicit economy (as much as 40 percent of recorded Gross National Product, per the IMF) indicates that illegal enrichment, money laundering, tax avoidance, and other financial criminal laws are generally not enforced. Law enforcement efforts to pursue money laundering are not fully commensurate with the risks in Armenia. Armenia is not currently subject to U.S. or international economic money laundering sanctions or penalties.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

There is no MLAT with the United States and implementation of relevant mutual assistance treaty provisions is weak. New ethics rules are scheduled to be implemented in 2018 but will not apply to all involved in money laundering enforcement.

The lack of AML convictions indicates investigations are not proactive or effective. Additionally, the government does not actively provide law enforcement agents the tools, training, or capacity to investigate complex, international money laundering cases. For example, a significant narcotics smuggling case typically ends with the arrest and prosecution of a low level person, without any major effort to determine who was able to finance and direct the smuggling operation. Business interest and beneficiary ownership shielding is widely prevalent and not criminalized. Recent arrests of border, investigative, judicial, prosecution, and customs officials for corruption raise concerns about justice sector vulnerabilities.

Armenia should prosecute financial and drug crimes, corruption, and money laundering; provide criminal penalties for legal persons involved in money laundering; enhance capacities and independence of enforcement authorities to effectively identify, trace, and seize assets at all stages of investigations; criminalize tipping off of individuals under investigation; ensure all reporting sectors provide mandated financial intelligence reports; criminalize misrepresentation;

and create vetting mechanisms to prevent corrupt criminal actors from serving as PEPs. There is a large Armenian migrant worker population in Russia. Armenian authorities should review informal transfer systems that may pose money laundering vulnerabilities.

## **Aruba**

### **OVERVIEW**

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe, and for currency flowing in the opposite direction.

Aruba is an autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions.

In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and sharing of information in the area of criminal investigation and law enforcement. One priority area is interdicting money laundering operations. The MOU activities are ongoing.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Bulk cash smuggling represents a risk due to the location of Aruba between North and South America. Money laundering is primarily related to proceeds from illegal narcotics trafficked by criminal organizations and occurs through real estate purchases and international tax shelters. Real estate firms and tax trust companies are subject to KYC provisions and FIU reporting obligations. There is no significant black market for smuggled goods on Aruba.

The Free Zone Aruba NV (FZA) is a government-owned limited liability company which manages and develops the free zones. Service companies can set up business outside of the designated customs-controlled free zones. All companies with free zone status are reviewed and controlled by the FZA, which has an integrity system in place to deter illegal activities, including smuggling and money laundering. Financial services, banks, and insurance companies are not permitted to operate in the free zones. There are 13 casinos and online gaming is allowed, subject to KYC and FIU reporting requirements.

### **KEY AML LAWS AND REGULATIONS**

KYC laws cover banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, car dealers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects.

The Kingdom may extend international conventions to the autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become law. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as these MOUs do not infringe on the foreign policy of the Kingdom as a whole.

The 1983 MLAT between the Kingdom of the Netherlands and the United States applies to Aruba and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Aruba.

Aruba is a member of the CFATF, a FATF-style regional body, and, through the Kingdom, the FATF. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/aruba-2>.

### **AML DEFICIENCIES**

Fraud is a crime, licensing is now required for a variety of businesses, and counterfeiting and piracy of products are predicate offenses to money laundering.

The Kingdom has not yet extended the application of the UNCAC to Aruba.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Aruba is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting system. Service providers are required to report large cash transactions of U.S. \$14,000 or more, wire transactions of U.S. \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

The State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) includes rules for the identification and verification of clients and the reporting of unusual transactions to prevent and combat money laundering when providing certain services. Non-regulated financial service providers (including investment brokers and factoring and leasing companies) and DNFBPs (including lawyers, civil notaries, tax advisors, accountants, jewelers, high-value goods dealers, and casinos) must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba. In the reporting period, there were numerous prosecutions for money laundering along with five convictions. The FIU held awareness-raising events for regulated entities.

## Azerbaijan

### OVERVIEW

Azerbaijan is both a transit point between the East and West, given its geographic location, and a conduit for illicit funding, given its economic difficulties. The majority of foreign investment and international trade in Azerbaijan continues to be in the energy sector. To diversify Azerbaijan's economy, President Aliyev signed a series of decrees in 2016 that outline strategic roadmaps for the development of the national economy through 2024 in order to diminish the country's overdependence on income from energy resources. The roadmaps focus on 11 specific sectors of the economy, including agricultural product processing, heavy industry, tourism, logistics and trade, financial services, and telecommunications and information technologies. Implementation of the roadmaps is ongoing, but the government has released two biannual status reports that indicated progress in most sectors has been limited. The economic realities of the currency's continued devaluation and a financial sector suffering from exponentially growing rates of non-performing loans, coupled with Azerbaijan's physical location between Iran and Russia, create an environment conducive to the transit of illicit funds.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

The major source of criminal proceeds in Azerbaijan continues to be public corruption across all sectors and agencies within the government. In addition, the Afghan drug trade generates significant illicit funds, some of which transit Azerbaijan. Although the passage of the Joint Comprehensive Plan of Action has opened Iran for transit of funds, it is unlikely that Azerbaijan will experience a demonstrable decrease in funds from Iran. Robbery, tax evasion, smuggling, trafficking, and organized crime also continue to generate illicit funds in Azerbaijan. Additional money laundering likely occurs in the financial sector, including in non-bank financial entities and alternative remittance systems. Azerbaijan also possesses a significant black market for smuggled goods for sale in-country and is a transit point for smuggled cargo.

### KEY AML LAWS AND REGULATIONS

As part of its active and ongoing measures, Azerbaijan established the Financial Markets Supervision Authority (FMSA) by Presidential Decree in February 2016, with the goals of improving licensing, regulation, and supervision of the securities market, investment funds, insurance, credit organizations, and payment systems operations; improving supervision over the AML/CFT preventive systems; and maintaining transparency and flexibility in supervising these areas. The FMSA implements its functions of preventing money laundering and terrorist financing through the Financial Monitoring Service (FMS), Azerbaijan's FIU.

The key Azerbaijani AML law is the 2009 Law of the Republic of Azerbaijan on the Prevention of Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism (AML/CFT Law). In July 2009, in order to bring existing legislation into compliance with this law, the "Law of the Republic of Azerbaijan on Changes and Amendments to Some Legislative Acts of the Republic of Azerbaijan in Connection with Implementation of the AML/CFT Law" was adopted. In March 2010, the "Law of the Republic of Azerbaijan on Amendments to

Individual Legislative Acts of the Republic of Azerbaijan to Enhance the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism” was adopted, amending the Criminal Code and the AML/CFT Law.

The FMS and the FIUs of Moldova, Belarus, Turkey, Macedonia, Russia, and Iran have signed AML/CFT information sharing agreements. Azerbaijan is currently developing MOUs on AML cooperation between the FMSA and the FIUs of the United Arab Emirates, Ukraine, San Marino, Estonia, Moldova, Turkey, Slovenia, and Georgia.

Azerbaijan is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/azerbaijan>.

### **AML DEFICIENCIES**

While the FMSA is taking significant legislative action to address the recognized deficiencies, until such legislation is approved: criminal liability for money laundering has not been extended to legal persons in Azerbaijan; criminalization of the acquisition, possession, and use of property obtained with illicit funds is limited to “significant amounts” only; banks are not legislatively required to share customers’ CDD information with correspondent banks; sanctions are not effective, proportionate, or dissuasive to financial institutions; and loopholes exist inhibiting proper identification of PEPs.

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

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In November 2016, the President signed a decree approving the Action Plan for 2017–2019 on the Fight against Legalization of Criminally Obtained Funds and Other Properties and Financing of Terrorism. Following the signing of this decree, the FMSA placed an affirmative obligation on financial institutions to report money laundering activities, including designation and placement of the offending party on the FMSA website as a “designated person.” As a result of this designation, the FMSA, through the relevant government ministries, is able to freeze the assets of the named individual/entity. Though implementing ministries are required to submit annual reports and action plans to the Cabinet of Ministers and the Commission on Combatting Corruption, these reports are not currently publically available.

## **Bahamas**

### **OVERVIEW**

The Commonwealth of The Bahamas is a regional and offshore financial center. The country’s economy is heavily reliant on tourism, tourism-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 primary sources of illicit funds in the Bahamas are trafficking in narcotics and weapons and human smuggling. Despite increasingly stringent reporting requirements, drug traffickers and other criminal organizations take advantage of the cash-based economy to launder money. Money is laundered through the purchase of property, businesses created for money laundering purposes, and gaming.

The topography of the Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, thereby making smuggling and moving bulk cash relatively easy.

The Bahamas has three large casinos, including the Caribbean's largest casino (the U.S. \$3.5 billion Chinese Export-Import Bank-funded Baha Mar megaresort) which partially opened in April 2017. Gaming operations based on U.S. lottery results, locally known as "web shops," flourish.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The major sources of laundered proceeds are drug trafficking, firearms trafficking, gaming, and human smuggling. There is a black market for smuggled cigarettes, alcohol, and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, and the processing of money through a complex web of legitimate businesses, IBCs, and entertainment events.

Current information on the extent of offshore activities is not available. According to a 2013 IMF report, total assets in the Bahamas' offshore banking sector are equivalent to 75 times Bahamian GDP. The IMF report notes that, while there is oversight of the financial system, the Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not maintain official records of company beneficial ownership, or require resident paying agents to tell the domestic tax authorities about payments to non-residents. IBCs can be formed in one to two days.

Gaming is legal through major resort hotel casinos, which are only open to foreign visitors. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos; however, local pari-mutuel betting on U.S. lotteries and sporting events takes place through web shops. Casinos and web shops are licensed by the Gaming Board and are required to maintain strict internal controls and accounting, comply with AML/CFT requirements, and submit STRs. Geo-fencing protections built into gaming software ensure online gaming activities are inaccessible outside the country. The Gaming Board vets all online gaming platforms (software) and retains the ability to log into the programs remotely to observe operations in real time.

The archipelagic nature of the Bahamas and its proximity to the United States make it accessible by all types of watercraft, including small boats, facilitating smuggling and bulk cash shipments. The FTZ is a private entity managed by the Grand Bahama Port Authority (GBPA), a joint venture between Hutchison Port Holdings, a subsidiary of Hong Kong-based Hutchison Wampoa

Group, and UK-based Port Group Limited. The GBPA owns much of the city of Freeport, and the Freeport Harbor Company independently owns and operates the Freeport Container Port and Grand Bahama International Airport.

### **KEY AML LAWS AND REGULATIONS**

The Bahamas has comprehensive KYC and STR regulations. In 2016, customs authorities announced penalties for any arriving or departing passengers failing to declare currency or monetary instruments of more than U.S. \$10,000. Throughout 2017, authorities engaged in a public education campaign.

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

### **AML DEFICIENCIES**

The Bahamas should further enhance its AML regime by criminalizing bulk cash smuggling, continuing implementation of the National Strategy on the Prevention of Money Laundering, and establishing a CTR system. It should also collect complete, quality, and up-to-date information on the beneficial owners of all entities licensed or formed in the country or its offshore center, in line with international standards.

The government's National Anti-Money Laundering Task Force meets twice monthly. Authorities did not report how many times the Task Force met during the year, nor was information publicly available. The Task Force should seek to promote an AML culture in the Bahamas.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Bahamas has the requisite AML institutional and legal framework but needs to emphasize enforcement. The government should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies to increase their effectiveness. The Bahamas should ensure full implementation of appropriate safeguards on the gaming industry. The FIU, in cooperation with the Royal Bahamas Police Force, should continue its outreach to the banking and non-banking sectors.

The FIU reported one prosecution and conviction for fraud and money laundering in 2017, and there were two money laundering cases under investigation. The newly elected government appears to be prioritizing anti-corruption and transparency across its agenda. These efforts should lead to greater transparency in government and financial dealings. To better gauge the effectiveness of the government's AML programs, authorities should release official information on the numbers of STRs, prosecutions, and convictions.

## **Barbados**

### **OVERVIEW**

Barbados is a regional financial center with a sizeable IBC presence. The country's susceptibility to money laundering is primarily associated with the domestic sale of illegal narcotics and the laundering of foreign criminal proceeds. There are some reports of proceeds from illicit activities abroad being laundered through domestic financial institutions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Narcotics trafficking, money laundering, and firearms trafficking are major sources of illicit funds in the country. In addition to the use of financial institutions, money is laundered through a variety of businesses and through the purchase of real estate, vehicles, vessels, and jewelry.

Bearer shares are not permitted. There are no free trade zones and no domestic or offshore casinos.

### **KEY AML LAWS AND REGULATIONS**

The Central Bank of Barbados (CBB) is responsible for regulating and supervising commercial and offshore banks, trust companies, merchant banks, and finance companies. The CBB estimates the offshore sector is a U.S. \$32 billion industry. There are nine commercial banks and holding companies and 13 trusts and merchant banks licensed by the CBB. According to the latest information from Barbados authorities, there are 27 international banks licensed by the CBB. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs. IBCs are subject to heightened due diligence requirements for license applications and renewals, and are audited if total assets exceed U.S. \$500,000.

There is a Double Taxation Treaty with the United States and a specific agreement between Barbados and the United States for the exchange of information with reference to taxes. Entities that must comply with CDD rules are banks, securities and insurance brokers and companies, money exchanges or remitters, financial management firms, lawyers, real estate brokers, high-value goods dealers, accountants, investment or any other financial services, credit unions, building societies, restricted liability societies, friendly societies, offshore banks, IBCs and foreign sales corporations, mutual funds and fund administrators and managers, and international trusts.

Barbados is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=353&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=353&Itemid=418&lang=en).

### **AML DEFICIENCIES**

Barbados' criminal law limits the government's ability to seize assets acquired through criminal activity absent a conviction. The Government of Barbados should continue developing new non-conviction-based asset forfeiture laws to increase the efficacy of asset recovery procedures.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Government of Barbados should allot more resources to ensure the FIU, law enforcement, supervisory agencies, and prosecutorial authorities are fully staffed and have the capacity to perform their duties. The FIU is administrative in nature, which means it does not have the capacity to do investigative work or resolve legal issues.

In October 2017, Barbados authorities revoked the licenses of four international businesses after they were found guilty of money laundering and corruption in other jurisdictions (including the United States). The government should continue to take a more aggressive approach to conducting examinations of the financial sector and asserting more control over vetting and licensing of offshore entities.

Supervision of NPOs, charities, DNFBPs, and money transfer services could be strengthened through increased reporting requirements and oversight. Information sharing among regulatory and enforcement agencies also needs improvement.

Barbados should become a party to the UNCAC.

## **Belgium**

### **OVERVIEW**

Belgium's location and considerable port facilities have facilitated the development of an internationally integrated banking industry with assets of U.S. \$1.08 trillion in 2016. Belgium's port of Antwerp is the second busiest port in Europe by gross tonnage and, together with the ports of Rotterdam and Hamburg, handles the bulk of European maritime trade. With this large volume of legitimate trade inevitably comes the trade in illicit goods. In the port of Antwerp alone, more than 30 metric tons of cocaine were seized in 2016, making Antwerp the primary entry point of cocaine into Europe from South American ports.

According to the Financial Information Processing Unit (CTIF), Belgium's FIU, 10 percent of its cases are drugs-related and most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Bulk cash smugglers, the principal money laundering concern of law enforcement, move European drug proceeds out of the region. Difficulties in monitoring movements in the port of Antwerp and limited investigations into passengers repeatedly declaring more than approximately U.S. \$10,925 (10,000 euros) at the main airport of Zaventem facilitates the movement of cash. For the most part, the bulk cash only transits Belgium but is not deposited, due to strong banking controls that make introducing the funds into the formal banking system difficult.

Illicit funds, however, do enter the banking system. The National Bank of Belgium estimates the total amount of illicit funds currently in circulation at U.S. \$2.75 billion. Most illicit funds appear to come from tax fraud. Belgium is also a leader in the diamond trade; approximately 80 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Trade in illicit goods through the port of Antwerp facilitates the movement of laundered drug proceeds from Belgium back to South America or intermediary points such as Dubai or Hong Kong. Investment in legitimate businesses, such as real estate, restaurants, diamonds, and retail businesses, is also used to launder drug proceeds. Bulk cash is often laundered by the purchase of loose diamonds and/or diamond jewelry, which couriers then take out of Belgium to locations around the world, including the United States. Virtual currencies, such as bitcoin, are increasingly being used by criminal networks to facilitate illegal activity in Belgium. Fueled primarily by the sale of synthetic drugs via the dark web, cyber currency investigations are becoming more common among Belgian police authorities.

The total number of licensed casinos is limited to nine. There continues to be steady growth in internet gaming. The extent of internet gaming activity is unknown.

Officials note that the high value and easy transport of diamonds makes them highly vulnerable to money laundering through both illicit sales and as a means of storing and transmitting value. The number of STRs from diamond dealers remains low in 2016, the CTIF received only four STRs from an estimated 1,600 diamond traders. The opaque and closed nature of the Antwerp diamond industry remains an obstacle to money laundering investigations.

### **KEY AML LAWS AND REGULATIONS**

Belgium has comprehensive KYC and STR rules. KYC covered entities include domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance entities; real estate agents; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants; and auditors. STR-covered entities include banks, money remitting agencies, credit bureaus, the Belgian post office, notaries, casinos, life insurance companies, accountants, real estate agents, the National Bank of Belgium, private security firms, lawyers, diamond merchants, auditors, tax advisors, and surveyors.

Belgium is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/a-c/belgium/>.

### **AML DEFICIENCIES**

On September 18, 2017, Belgium published implementing legislation for the EU's fourth AML directive, which addresses enhanced due diligence for domestic PEPs.

The port of Antwerp's large size and difficulty in effectively analyzing the contents of 10 million container-equivalent units that move through the port each year help facilitate the movement of illicit funds and the transfer of illicit value. Stricter control over the ability of cargo handlers to access and transport merchandise could discourage the transport of bulk cash and other illicit shipments.

Increasing supervision of the diamond industry, considering its size and vulnerability to money laundering activity, including efforts to promote more STRs from diamond dealers, should be encouraged. Authorities should also prioritize the detection of cases of illegal diamond trafficking and large-scale tax fraud involving diamond dealers.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2016, Belgium prosecuted 155 money laundering-related cases, resulting in 76 convictions.

With regard to new financial technologies and digital currencies, the CTIF is working with the international AML community to address the need for surveillance and control.

## **Belize**

### **OVERVIEW**

Belize has an offshore financial sector but is not a key regional financial center. Belize is a transshipment point for marijuana and cocaine. FTZs are routinely used to move money across borders. Belize is vulnerable to money laundering due to the lack of enforcement of its laws and regulations, strong bank secrecy protections, geographic location, and weak investigatory and prosecutorial capacity. The sources of money laundering are drug trafficking, tax evasion, securities fraud, and conventional structuring schemes.

The Belizean government is increasing staff and training for its FIU. The FIU has a three-year National Strategic Plan and is conducting an AML/CFT national risk assessment (NRA). The FIU also is participating in a gap analysis of Belize's anti-corruption and AML/CFT capacity.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The government permits financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and IBCs. The IBC Registry has 49,192 registered, active IBCs, and 2,165 trusts are registered at the International Trust Registry. One IBC with an online gaming license can operate in the offshore sector. With the exception of the five international banks regulated by the Central Bank of Belize, the International Financial Services Commission (IFSC) supervises offshore entities.

Belize's two FTZs, Corozal and Benque Viejo, are on the border with Mexico and Guatemala respectively. Belizean law enforcement agencies strongly suspect there is money laundering, illicit importation of duty-free products, and large sums of cash moving through the FTZs.

As of December 2016, Belize's gaming sector, regulated by the Gaming Control Board under the Ministry of Investment, Trade, and Commerce, consists of nine casinos or licensed gaming premises, 33 licensed gaming establishments, and three on-line gaming/internet casinos. Each category of gaming entity is subject to different operating restrictions; for example, casinos are the only entities allowed to conduct live games such as poker and roulette. The FIU supervises the gaming sector for AML/CFT compliance.

The director of the IFSC implemented enforcement of fee increases and more stringent due diligence requirements on the offshore financial sector. In September 2017, the IFSC announced a six-month moratorium on new licenses in Trading in Financial and Commodity-based Derivative Instruments and Other Securities ("No. 7 License"). All No. 7 License holders are required to complete a "Declaration of Compliance" certifying they have operated and continue to operate within the Standard Conditions of the License for Trading in Securities.

The FIU, Police Department, and Customs and Excise Department face challenges with political interference, corruption, and human resource and capacity limitations.

### **KEY AML LAWS AND REGULATIONS**

Belize made efforts to strengthen its AML regulatory regime, including amending the Money Lenders Act in 2016 and empowering the FIU to collect information for the NRA to be completed in 2018. As a new signatory to UNCAC, Belize is conducting a corruption-AML/CFT gap analysis under the aegis of the UNODC.

Belize has comprehensive CDD requirements and STR regulations. Belize also has regulations for PEPs in line with international standards.

Mechanisms exist for information exchange between Belize and other countries, including the United States. However, Belize is slow to respond to requests from foreign FIUs. The FIU acknowledges the problem and is hiring two analysts and a quality assurance staffer to respond to requests.

Belize is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/a-d/belize>.

### **AML DEFICIENCIES**

The FIU's mandate far exceeds its capacity, largely due to its limited human resources and high turnover. Leadership continuity is improving – there have been three FIU Directors in four years, but the current director is in his second year and the legal officer was promoted to deputy director. In an effort to compensate for staffing deficiencies, the FIU contracts private attorneys

to lead the prosecution of serious or complex cases. The FIU has plans to add two financial investigators, one prosecutor, and the two analytical staff referenced above.

The government is trying to address AML deficiencies through the three-year National Strategic Plan.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Belize took many positive actions in 2017, including increasing personnel and other resources, improving collaboration between agencies, and increasing training and advisory assistance. The FIU continues data collection and analysis for its NRA. The three-year National Strategic Plan identifies goals, additional resources, and personnel needs.

The FIU continued its outreach in 2017, including to DNFBPs. The FIU conducted onsite compliance examinations of two casinos as it focuses on the gaming industry, as compared to 21 onsite examinations in the Corozal FTZ in 2016.

Although the FIU is investigating several cases, the government did not prosecute any money laundering cases in 2017. The low prosecution and conviction figures continue to reflect the lack of robust enforcement efforts. The government should prioritize providing its investigative, prosecutorial, and judicial personnel with the resources and training to successfully fulfill their responsibilities.

## **Benin**

### **OVERVIEW**

Benin is a transit point for a significant volume of drugs and precursors moving from Latin America, Pakistan, and Nigeria into Europe, Southeast Asia, and South Africa. It is difficult to estimate the extent of drug-related money laundering in Benin, believed to be done through the purchase of real estate and building construction for rent or re-sale, bulk cash smuggling, and payments to officials.

The port of Cotonou is a transportation hub for the sub-region, which serves Nigeria and land-locked countries in the Sahel. Criminal networks exploit the volume of goods and people moving through Benin.

Benin is continuing efforts to strengthen its specialized financial crime judicial police and the FIU, the National Financial Intelligence Processing Unit (CENTIF), and ensure laws are fully implemented across all relevant sectors.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Open borders, the prevalence of cash transactions, and the informal economy facilitate money laundering in Benin.

Benin is vulnerable to drug-related money laundering. Benin was implicated in large international schemes involving autos purchased in the United States then shipped to Benin. Lebanese Hezbollah-linked financial institutions would launder the proceeds of the sales of such cars, moving the proceeds through West Africa and into Lebanon. Profits from these sales also were combined with drug proceeds from Europe and subsequently sent to Lebanon via bulk cash smuggling and deposited into the Lebanese financial system. This or similar practices are likely continuing but no recent information has been reported.

### **KEY AML LAWS AND REGULATIONS**

Money laundering has been criminalized since 1997, and Benin's domestic AML regime has advanced over the past two decades.

There is no MLAT between Benin and the United States.

Benin is a member of GIABA, a FATF-style regional body. The most recent MER can be found at: <http://www.giaba.org/reports/mutual-evaluation/Benin.html>.

### **AML DEFICIENCIES**

The Government of Benin received recommendations from the Supreme Court on a draft bill that would enlarge the scope of existing law by requiring attorneys, notaries, and financial brokerage firms to report large cash transactions involving their clients and customers. The draft bill is expected to be introduced to the National Assembly in the near future. Passage of the law would require certain non-governmental and religious organizations to report large cash donations.

Existing legislation makes it unclear who is responsible for asset forfeiture in money laundering cases. Therefore, in 2017, the council of ministers suggested issuing a decree to form a committee to study the feasibility of addressing the freezing of assets by applying Benin's CFT law. To date, however, no such decree has been published.

Additional AML deficiencies include the Minister of Finance failing to sign the draft ministerial decree specifying the powers, organization, and function of the Advisory Committee on the Freezing of Assets, and not transposing directive 02/2015/CM/UEMOA on AML/CFT in West African Economic and Monetary Union-member States into the domestic legal framework.

Benin is proceeding through the application process to become an Egmont Group member, with the objective of joining in July 2018. CENTIF is currently looking for assistance in redesigning its information and security systems.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Beninese officials have limited capacity to effectively track financial flows, inhibiting their ability to investigate and prosecute individuals or groups under the country's legal system.

Benin has laws in place requiring banks to report large cash transactions and prohibiting citizens from carrying large quantities of cash, but penalties are not enforced. Despite a cross-border currency declaration requirement, Benin customs authorities do not evaluate declarations for money laundering purposes. Customs agents reportedly have been lax in checking departing passengers for large amounts of cash. The chief of the Customs airport unit was arrested and subsequently relieved of his position in January 2017 for allowing a passenger to board a flight for Dubai carrying 400,000 euros (approximately \$464,200) in cash in his carry-on luggage.

CENTIF is under-resourced, and its agents and other law enforcement officers are reassigned to new jurisdictions and new disciplines after training investments. Insufficient funding for day-to-day operations hinders investigations. On the judicial side, investigating judges lack specialized training in complex financial crimes and cases sit unattended. Approximately two-thirds of the STRs recorded between 2010 and 2017 were related to Western Union and MoneyGram transfers. The intent was to assign these STRs to the National Police for investigation, but no new cases have been submitted to the Prosecutor's office in 2017. The status of the single pending case at the end of 2016 is unknown. To date, it appears Benin has had no successful money laundering prosecutions.

Benin has taken steps to improve data sharing and cooperation among departments involved in financial crimes enforcement. CENTIF convenes quarterly meetings to improve coordination among law enforcement offices and help follow cases after referral to see how they are progressing through the justice system.

## **Bolivia**

### **OVERVIEW**

Bolivia is not a regional financial center but remains vulnerable to money laundering. Criminal proceeds laundered in Bolivia are derived primarily from smuggling contraband and from the foreign and domestic drug trade.

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

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Major sources of illicit funds in Bolivia include cocaine trafficking, smuggled goods, and informal currency exchanges. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported. The informal sector offers opportunities for money laundering and structuring. This money then enters the formal market through the financial system.

Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets, and money laundering activity is likely.

The Bolivian justice system is hindered by corruption and political interference, which impedes the fight against narcotics-related money laundering. Lack of well-trained prosecutors and police officers is a problem, leading to ineffective criminal investigations.

Bolivia has 13 FTZs for commercial and industrial use in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Lack of regulatory oversight of these FTZs increases money laundering vulnerabilities.

Casinos are illegal in Bolivia. Legal soft gaming (e.g., card games, roulette, and bingo) is regulated, but many games operate in the informal market.

### **KEY AML LAWS AND REGULATIONS**

Bolivia has several laws that control the entry and exit of foreign exchange and which criminalize illicit gains. In 2012, Bolivia created the National Council to Combat Illicit Laundering of Profits to issue guidelines and policies to combat money laundering. In 2013, Bolivia created new regulatory procedures that allow for freezing and confiscation of funds and other assets related to corruption, terrorism, and money laundering.

All financial institutions in Bolivia are required by the Financial Investigative Unit (UIF), Bolivia's FIU, and the banking regulations, to report all transactions above U.S. \$3,000 (or transactions above U.S. \$10,000 for banks).

Bolivia has KYC regulations. All transactions conducted through the financial system require valid photo identification in addition to other required information. Financial intermediaries must enter this information into their systems, regardless of the transaction amount or whether the transaction is a deposit or a withdrawal.

Bolivia is a member of GAFILAT, a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles/documentos/en/evaluaciones\\_mutuas/Bolivia\\_3era\\_Ronda\\_2011.pdf](http://www.gafilat.org/UserFiles/documentos/en/evaluaciones_mutuas/Bolivia_3era_Ronda_2011.pdf).

### **AML DEFICIENCIES**

Lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework, limit the UIF's reach and effectiveness. Compliance with UIF's reporting requirements is extremely low. Information exchange between the UIF and police investigative entities improved in the last year, and the UIF maintains a database of suspect persons that financial entities must check before conducting business with clients. In 2017, the Attorney General created a special unit dedicated to investigating and prosecuting money laundering.

Bolivia does not have a MLAT with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance. On July 6, 2017, the United States and Bolivia entered into a Customs Mutual Assistance Agreement, which enhances cooperation and information sharing between the two countries regarding customs matters. Law enforcement cooperation with other jurisdictions is reported to be limited.

Bolivia now includes notaries under the supervision of UIF and is working to address other noted deficiencies, including the lack of coverage of vehicle dealers, real estate businesses, and jewelry stores, as well as bitcoins, mobile device payments, and financial outflows. The government monitors the use of other digital currencies, but presently only bitcoins have been noted in Bolivia.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Banks actively enforce all regulations to control money laundering and other suspicious transactions.

Bolivia has implemented the 1988 UN Drug Convention and has drug-related laws in place. The criminal courts have jurisdiction over crimes related to narcotics, terrorism, and money laundering. With a legal order, courts can request information from banks for investigative purposes.

Bolivia has an extradition treaty with the United States. In some instances the Bolivian government has been cooperative with U.S. law enforcement (e.g., on boarding requests for Bolivian-flagged vessels.) However, overall there is little law enforcement cooperation between Bolivia and the United States.

According to available data, there were approximately 60 money laundering-related prosecutions in 2017, up from 35 reported in 2016. Conviction data is not available.

## **Bosnia and Herzegovina**

### **OVERVIEW**

Bosnia and Herzegovina (BiH) has a primarily cash-based economy and is not an international or regional financial center. BiH has porous borders with Croatia, Serbia, and Montenegro. A Visa Liberalization Agreement with the EU enables easy transit from Eastern Europe and the Balkans region to countries in Western Europe. BiH is a market and transit point for smuggled commodities, including cigarettes, firearms, counterfeit goods, lumber, and fuel oil.

BiH has made substantial progress not only strengthening its AML regime, but also harmonizing its laws across its numerous legal jurisdictions, including those related to the money laundering offense and forfeiture. BiH has a state-level criminal code and three additional criminal codes in its constituent parts.

## **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The majority of STRs are connected to tax evasion. A smaller number involve concealing the proceeds of illegal activities, including human trafficking and smuggling, narcotics trafficking, organized crime, and corruption. Individuals frequently withdraw funds under the guise of legitimate business, but transactions are later found to be fabricated. Banks make up 87 percent of the financial sector and STRs from banks show that, by number of transactions, fraud and identity theft are increasing, as are identity card counterfeiting and credit card fraud. Integration of laundered proceeds in real estate is also a problem.

There are four active FTZs in BiH. Companies working in these zones primarily produce automobile parts, forestry and wood products, and textiles. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring FTZs and there have been no reports that these areas are used for money laundering.

## **KEY AML LAWS AND REGULATIONS**

The main legislation defining BiH's AML regime includes the Law on AML/CFT, the four criminal codes and criminal procedure codes of the multiple jurisdictional levels - the State, the two entities (the Federation of Bosnia and Herzegovina and the Republic of Srpska), and Brčko District - and various sectoral laws (e.g., addressing insurance, the securities market, banks, associations, and foundations), some of which have been amended in the last two years. The country has comprehensive KYC and STR regulations and applies due diligence measures. BiH has mechanisms in place for records exchange.

BiH is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/bosnia>.

## **AML DEFICIENCIES**

Corruption is endemic, affecting all levels of the economy and society. Cooperation among rule of law entities is erratic, and corruption and inter-ethnic discord profoundly diminish the judicial systems' ability to fight money laundering and similar crimes.

As of the end of September 2017, BiH reported that it had completed its action plan to address AML/CFT deficiencies. BiH made improvements to noted areas, including its confiscation measures; CDD and STR procedures; internal controls, compliance, and audit; special attention for higher risk countries; regulation of bank branches and subsidiaries, DNFBPs, and NPOs; definition of legal persons and beneficial owners; sanctions; statistical data and public reporting by the FIU; and national-level cooperation. Although BiH made legislative and technical corrections, actual implementation needs to be confirmed.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

While BiH's political structure and ethnic politics hinder the effectiveness of its AML regime, coordination of law enforcement efforts among the multiple jurisdictional levels in BiH is improving.

The four criminal codes and criminal procedure codes now contain similar money laundering offenses. The entities and Brčko District changed criminal codes to include specific provisions on some aspects of confiscation and forfeiture of income or other benefits, commingled property, and instrumentalities. The two entity governments adopted special laws on the confiscation of assets, in addition to the provisions within the criminal procedure codes. State level law enforcement investigates money laundering crimes with an international or inter-entity element, while the entities and Brčko district deal with localized money laundering. State and entity level jurisdictions maintain separate bank supervision and enforcement/regulatory bodies.

There are concerns about the effectiveness of controls relating to the cross-border transportation of currency and bearer negotiable instruments at the maritime border and land crossings. BiH law enforcement is improving its actions to combat TBML.

BiH has implemented the 1988 UN Drug Convention (mainly through the Law on Suppression of Abuse of Narcotic Drugs) and other applicable agreements. BiH has not refused to cooperate with foreign governments.

In the period from November 2016 through August 2017, according to information from the High Judicial and Prosecutorial Council of BiH, the courts handed down eight convictions related to money laundering pertaining to nine persons. One person was acquitted.

## **Brazil**

### **OVERVIEW**

Brazil's economy was the second largest in the Western Hemisphere in 2016 and among the 10 largest in the world. São Paulo is the largest city in South America and a regional financial center. Brazil is a major drug-transit country, as well as one of the world's largest drug consumers. Transnational criminal organizations operate throughout Brazil and launder proceeds from trafficking in narcotics, weapons, and counterfeit goods. A multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) where Brazil shares borders with Paraguay and Argentina. Public corruption is Brazilian law enforcement's primary money laundering priority, followed by narcotics trafficking.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Public corruption and trafficking of drugs, weapons, and counterfeit goods are the primary sources of illicit funds in Brazil. Money laundering methods include the use of banks, real estate, and financial asset markets; remittance networks; shell companies; phantom accounts; illegal gambling (*jogo de bicho*); informal financial networks, such as hawalas; and through the sale of cars, cattle, racehorses, artwork, and other luxury goods. Brazilian criminals also use

foreign tax havens to launder illicit gains. Drug trafficking organizations are linked to black market money exchange operators (*dolieros*). Money is also often laundered through bulk cash smuggling. Money laundering techniques vary widely in Brazil. In large urban centers, techniques are sophisticated and often involve foreign bank accounts, shell companies, and financial assets. In rural Brazil, promissory notes and factoring operations are more common. Brazilian law enforcement has successfully seized millions in multiple currencies in highway seizures and served arrest warrants throughout Brazil, especially on the border with Paraguay (State of Parana).

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 corporate ownership.

In March 2014, Brazilian law enforcement received a tip regarding money laundering at a gas station connected to the parastatal oil company, Petrobras. Since then, “Operation Carwash” (*Lava Jato*) uncovered a complex web of corruption, money laundering, and tax evasion spanning the Americas, leading to arrests of former and current ministers, members of Congress, political party operatives, employees at Petrobras and other parastatals, and executives at major private construction firms in multiple countries throughout the region. Corruption-related money laundering is associated with fraudulent contracts, bribery and influence-peddling, antitrust violations, public pension fund investments, and undeclared or illegal campaign donations.

To attract investment, Brazil has a preferential tax regime for four FTZs in the North and Northeast regions.

### **KEY AML LAWS AND REGULATIONS**

Brazil’s money laundering legal framework has been updated three times since its establishment in 1998, most recently by Law #12.683 in 2012. The framework facilitates the finding, freezing, and forfeiture of illicit assets. Brazil has comprehensive KYC and STR regulations.

Brazil and the United States have a MLAT. Brazil regularly exchanges records with the United States and other jurisdictions.

Brazil is a member of the FATF and GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/a-c/brazil/>.

### **AML DEFICIENCIES**

Legal entities cannot be criminally charged under Brazil’s money laundering statute, but are subject to reporting requirements if they are covered entities under the AML law. Legal entities in violation of the reporting requirements can face fines and suspension of operation, and managers can face criminal sanctions.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

From January through September 2017, financial regulators initiated 75 money laundering administrative actions and referred 5,418 cases to law enforcement for potential investigation. Comprehensive data on criminal investigations and convictions are not yet available.

The lack of a central de-confliction database, coupled with the stove-piping of intelligence by multiple Brazilian law enforcement agencies, makes it difficult to fully identify the means through which criminal groups launder money. Coordination between civilian security agencies, law enforcement agencies, and the Brazilian military is hindered by inter-service rivalries.

Through its 2003 National Strategy Against Corruption and Money Laundering (ENCCLA) and associated whole-of-government working groups, Brazil made significant strides in strengthening its legal framework, building capacity to investigate and prosecute financial crimes through specialized police units and courts, and fostering interagency cooperation and civil society input on prospective reforms. Challenges remain. Judicial delays often lead to cases expiring before judgment due to strict statutes of limitations. Brazil will benefit from expanded use of the task-force model and cooperative agreements that facilitated recent major anti-corruption breakthroughs, an increased information exchange on best practices for financial market fraud, government contract oversight, and collaboration and leniency agreements.

## **British Virgin Islands**

### **OVERVIEW**

The British Virgin Islands (BVI) is a UK overseas territory. Its economy is dependent on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking and legal services, captive insurance, company incorporations, mutual funds administration and trust formation, and shipping registration. At the close of September 2016, the commercial banking sector had assets valued at approximately U.S. \$2.2 billion. Potential misuse of BVI corporate vehicles remains a concern. Criminal proceeds laundered in the BVI derive primarily from domestic criminal activity and narcotics trafficking.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The BVI has zero-rated corporation tax and no wealth, capital gains, or estate tax for offshore entities. Significant money laundering risks include exploitation of offshore financial services, a unique share structure that does not require a statement of authorized capital, and lack of mandatory ownership information filing. The BVI is a favored destination for incorporating new companies and registering shell companies, which can be established for little money in a short amount of time. There are reports a substantial percentage of BVI's offshore business comes from China and Russia.

Financial services contribute over half of government revenues. The Financial Services Commission's (FSC) most recent statistical bulletin, published in June 2017, notes there are 395,684 active companies. Of these, 1,094 are private trust companies. There are six commercially licensed banks and 1,509 registered mutual funds.

The BVI's proximity to the U.S. Virgin Islands and its use of the U.S. dollar as its currency pose additional risk factors for money laundering. The BVI, similar to other jurisdictions in the Eastern Caribbean, is a major target for drug traffickers, who use the area as a gateway to the United States. BVI authorities work with regional and U.S. law enforcement agencies to help mitigate these threats.

### **KEY AML LAWS AND REGULATIONS**

Money laundering is criminalized, as are all predicate offenses in line with international standards. Criminal penalties for money laundering and money laundering-related offenses have been increased to up to \$500,000 and 14 years in prison, depending on the offense. Administrative penalties have been increased from a maximum of \$4,000 to a maximum of \$100,000. Penalties under the Anti-Money Laundering Regulations have also been increased to \$150,000.

The FSC is the sole supervisory authority responsible for the licensing and supervision of financial institutions. KYC and STR requirements cover banks, money service businesses, insurance agencies, investment businesses, insolvency practitioners, trust and company service providers, attorneys, notary publics, accountants, auditors, yacht and auto dealers, real estate agents, dealers in precious stones and metals, dealers in other high-value goods, and NPOs.

The BVI is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/virgin-islands>.

### **AML DEFICIENCIES**

The BVI applies enhanced due diligence procedures to PEPs. Part III of the Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 outlines the CDD procedures that licensees should follow to ensure proper verification of clients. The government reports that its CDD procedures are consistent with international standards.

International experts have criticized the BVI's supervision, particularly of the company formation sector, and its sanctions regime. From January through June 2017, the BVI Enforcement Committee reviewed 316 enforcement cases, resulting in 14 administrative penalties, two cease and desist orders, one advisory, three license revocations, and four warning letters.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The BVI is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. 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 UN Drug Convention was extended to the BVI in 1995. The UNCAC was extended to the BVI in 2006, and the UNTOC was extended to the BVI in 2012.

Between January 1 and October 31, 2016, there were two money laundering-related prosecutions and no money laundering-related convictions. There have been 15 money laundering convictions since 2008. This extremely low volume of prosecutions and convictions is not commensurate with the size and complexity of the BVI's financial sector.

The BVI has implemented a register which provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. The register will allow all beneficial ownership information to be shared with the UK government within 24 hours of a request.

The government is currently engaged in amending legislation to enable the Financial Investigation Agency (FIA) to take enforcement actions against DNFBPs that are non-compliant with their AML legal responsibilities. Such amendments will allow the FIA to enforce administrative penalties against non-compliant DNFBPs.

## **Burma**

### **OVERVIEW**

Burma's economy and financial sector are underdeveloped and most currency is still held outside of the formal banking system. Burma has porous borders and significant natural resources, many of which are in parts of the country that the government does not fully control. Burma is also one of the largest source countries of methamphetamines. The lack of financial transparency, the low risk of enforcement and prosecution, and the large illicit economy breed criminal activity.

Burmese authorities have been making progress on a number of items related to AML/CFT, drug trafficking and organized crime, law enforcement cooperation, and public corruption. Although Burma is still designated as a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act, the U.S. Department of the Treasury began waiving the legal ramifications in 2012 and issued an administrative exception in 2016 allowing U.S. financial institutions to provide correspondence services to Burmese banks. Additionally, in 2016, OFAC terminated U.S. economic and financial sanctions on Burma pursuant to executive order.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Burma is the world's second largest source of opium cultivation and a major manufacturer and exporter of heroin. Burma has also become a major source for amphetamines and amphetamine-type substances (ATS). The country's narcotics cultivation and production occur in territory controlled by non-state armed groups, particularly along Burma's eastern borders, which complicates efforts to control the drug trade. Trafficking in persons and wildlife and illegal trading in gems and timber also generate illicit proceeds and fuel public corruption. Burma

applied to be an Extractive Industries Transparency Initiative (EITI) candidate country in 2014 and is taking steps toward implementing the standard. The Burmese EITI annual progress report on natural resource revenue for July 2016-June 2017 is publicly available.

Many people in Burma rely on informal money transfer mechanisms, such as hundi, as the formal financial system is underdeveloped and has limited connectivity with international banks. The Myanmar Central Bank is working with international donors on regulations for these money services businesses.

Despite gambling being illegal, casinos target foreigners in border towns, especially near China. Little information is available about the regulation or scale of these enterprises. Many business deals and real estate transactions are done in cash. While bank usage has increased significantly over the past few years, from an estimated 14 percent of adults with a bank account in 2012 to 25 percent in 2016, Burma is still a largely cash-based economy, which makes it difficult for authorities to detect illicit financial flows.

### **KEY AML LAWS AND REGULATIONS**

Burma passed its Anti-Money Laundering Law (AML Law) in 2014. The law criminalizes money laundering, defines predicate offenses, and includes CDD requirements for all reporting entities. Regulations to implement the AML law were issued in 2015. Burma has made steady progress in improving its legal and regulatory framework in line with international AML standards.

Burma is a member of the APG, a FATF-style regional body. Its most recent MER can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>.

### **AML DEFICIENCIES**

Burma's AML deficiencies mainly pertain to logistical challenges, such as insufficient technologies and limited government capacity and coordination. Financial institutions rely on paper-based record keeping and, when computers are available, on manual data entry. The government, in cooperation with donors, is increasing automation and electronic processing of reports and is phasing out paper-based record keeping.

The FIU relies on the cooperation of over 20 entities, including the customs agency, central bank, and law enforcement bodies, but these entities' comprehension of and familiarity with AML processes, best practices, and challenges is limited. Oversight of non-conventional financial services in Burma, such as money transfer services, microfinance institutions, and securities firms is only in the initial phases, and the central bank provides limited AML oversight of state-owned banks.

Burma applied to join the Egmont Group in March 2017 and identified sponsor FIUs.

Burma does not have a bilateral treaty on mutual legal assistance with the United States, but high-level law enforcement officials have stated they are willing to engage in an MOU. In December 2016, the Burmese Attorney General (AG) identified the AG Deputy Director General as the central authority for mutual legal assistance requests, although this channel remains untested between the United States and Burma.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although Burma acceded to the 1988 UN Drug Convention in 1991, relevant implementation is still ongoing.

Since enactment of the AML Law, Burma's court systems have investigated 36 and prosecuted eight money laundering cases. The Burmese government, particularly the FIU, continues to build capacity. The FIU and donor organizations have held numerous seminars in Yangon, Nay Pyi Taw, and Mandalay to inform the private sector and law enforcement authorities of the FIU's organization and structure, Burma AML law, and their responsibilities under the law.

## **Cabo Verde**

### **OVERVIEW**

Cabo Verde's location, approximately 400 miles off the coast of West Africa, and its land-to-water ratio make it vulnerable to narcotics trafficking between West Africa, the Caribbean, South America, North America, and Europe. Its financial system is primarily composed of the banking sector.

Although its AML regime has flaws, the government has revised its laws, policies, and regulations in an attempt to create the tools to curb illicit financial activities. The AML framework established in 2009 has led to improved port container monitoring and improved information sharing between Cabo Verde's domestic and international airports. Cabo Verde continues to receive international support in its fight against drug trafficking, money laundering, and other crimes, including support to its FIU, which became a member of the Egmont Group in February 2017.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Approximately 30 percent of Cabo Verde's economy is in the informal sector, creating a lack of transparency and contributing to vulnerability to money laundering. The biggest money laundering risk in Cabo Verde is likely related to narcotics trafficking, largely due to Cabo Verde's location at the Atlantic crossroads, along major trade routes, and the limited capacity of Cabo Verdean authorities to patrol its large maritime territory. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels, including private yachts. Domestic consumption of consumer drugs – namely marijuana, cocaine, and synthetic drugs – is increasing.

Public corruption is limited in Cabo Verde and is unlikely to be a major element facilitating money laundering. The formal financial sector, which is well reputed, may be attractive to money launderers as a safe haven, in spite of the ongoing development of the country's AML regime.

### **KEY AML LAWS AND REGULATIONS**

The central bank regulates and supervises the financial sector, and commercial banks generally comply with its rules. Financial institutions reportedly exercise due diligence beyond the requirements of the law for both domestic and foreign PEPs. Cabo Verde has taken steps to implement a cross-border currency declaration regime, but implementation has been inconsistent at the various ports of entry.

Cabo Verde has operationalized its framework for national cooperation and coordination. The Ministry of Justice recruited eight prosecutors of the republic to be stationed in the regions, while the central bank recruited six agents for the supervision department, two of which will specifically support the AML/CFT supervision of financial institutions. Cabo Verde has established the General Inspectorate of Economic Affairs as the supervisory body for dealers in luxury cars and antiques.

Cabo Verde is a member of the GIABA, a FATF-style regional body. Its most recent MER can be found at: <http://www.giaba.org/reports/mutual-evaluation/Cabo%20Verde.html>.

### **AML DEFICIENCIES**

Information is limited about the degree to which the central bank conducts AML compliance examinations of the institutions that fall within its jurisdiction, including whether the central bank has applied administrative sanctions for non-compliance with requirements. Cabo Verde still needs to strengthen its AML supervision mechanisms for financial institutions and DNFBPs.

The FIU continues to take steps to improve its efficiency and effectiveness, including by availing itself of donor assistance. It has undertaken efforts in the past year to conduct outreach to other islands, with a particular focus on law enforcement and prosecutors. Work remains to be done to develop a record of tangible outcomes across the range of AML stakeholders, to include administrative enforcement actions by financial and non-financial sector regulators; consistent application of financial investigative techniques in all law enforcement investigations involving crimes generating illicit profits; and successful financial crimes prosecutions, to include asset forfeiture.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although Cabo Verde has taken steps to create the legal framework for the AML regime and its FIU has qualified for Egmont Group membership, it still needs to close important gaps. Among those are the development of a fully and broadly functioning cross-border currency declaration system, and a record of tangible outcomes. Implementation and enforcement of the laws remain

weak, and government agencies either are unaware of their own responsibilities under the AML regime or not motivated to meet them.

The United States and Cabo Verde do not have a bilateral MLAT or an extradition treaty. Cabo Verde is a party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. The United States and Cabo Verde also can make and receive requests for assistance on the basis of domestic laws.

## **Cambodia**

### **OVERVIEW**

Cambodia is neither a regional nor an offshore financial center. Cambodia's money laundering vulnerabilities include a weak AML regime; a cash-based, largely dollarized economy; porous borders; loose oversight of casinos; and the National Bank of Cambodia's limited capacity to oversee the fast-growing financial and banking industries. A weak, deeply politicized judicial system and corruption also constrain effective enforcement.

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

Cambodia has not adopted any significant additional AML legislation since 2014. The government should continue its work to increase the volume and quality of STRs and CTRs from reporting entities of all types and increase the operational independence as well as capacity of the nascent and understaffed Cambodia Financial Intelligence Unit (CAFIU). Any steps taken by the government to increase the independence and capacity of the judiciary would likely positively impact AML effectiveness.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Information on the sources of illicit funds is not readily identifiable. A national risk assessment (NRA) has been drafted by CAFIU to help identify sectors where illicit funds may be generated. According to the draft NRA, requests from relevant domestic and foreign authorities on money laundering-related fraud and scam cases have to be sent to law enforcement authorities for investigation. The government has not finalized or implemented the draft NRA.

Although gaming is illegal for Cambodian citizens, illegal gaming flourishes. Gaming is legal for foreigners, and there are 57 legal casinos. The town of Poipet, along the Cambodia/Thailand border, has 10 operating casinos. Reportedly, more than 90 percent of the patrons are Thai. Visas are not required for Thai citizens, and Thai baht is accepted. As a result, large amounts of

money flow through Poipet's casinos; in 2015, it was estimated approximately U.S. \$12 million of cash destined for border casinos crossed the Poipet border every day.

### **KEY AML LAWS AND REGULATIONS**

The Cambodian government adopted its AML/CFT law in 2007. The law allows authorities to freeze assets relating to money laundering until courts issue final decisions.

In 2014, Cambodia revised the National Strategies on AML/CFT 2013-2017 by adding actions to build capacity of the CAFIU and law enforcement officials, and strengthen cooperation among relevant domestic agencies. Donors have provided capacity-building assistance.

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), a permanent and senior-level AML/CFT coordination mechanism, is responsible for ensuring the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML efforts. A domestic working group, created by the NCC to implement recommendations from the country's mutual evaluation, continues to discuss both technical compliance and effectiveness. The group is comprised of officials from relevant ministries and private sector representatives. Once the NRA has been finalized, the Cambodian government intends to create an action plan to strengthen the AML regime.

Cambodia has KYC and STR requirements in place. Cambodia has information sharing agreements with 22 countries. The United States does not have an agreement or MOU with the CAFIU on record sharing, although information sharing should be possible through Cambodia's Egmont Group membership.

Cambodia is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=7>.

### **AML DEFICIENCIES**

Corruption among some law enforcement entities, low capacity, and a weak and often politicized judiciary are major deficiencies in the government's ability to fight money laundering. The law on AML/CFT excludes pawn shops from its explicit list of covered entities. Cambodia's non-financial sectors, including, most significantly, the gaming and real property industries, are unregulated or under-regulated. The CAFIU records casino STRs and CTRs separately from those from other entities. No casino located in Cambodia has ever submitted a CTR, and the volume of filed STRs is very small, reportedly less than five out of an estimated 2,000 STRs filed in 2017.

The NCC has been active in the past in proposing legal and policy reforms to tackle AML deficiencies. Limited resources remain one of the big challenges for AML implementation. CAFIU has been building its capacity through various trainings supported by the Cambodian government and donor community. Since late 2016, donors have provided Cambodia with technical assistance on using risk-based supervisory tools and analysis.

The AML regime lacks a clear system for sharing information with foreign governments.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The government established a Review Panel as part of the supplementary measures laid out in the National Strategies on AML/CFT 2013-2017. The panel, comprised of the CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation among regulatory and law enforcement bodies. CAFIU, when requested, has generally cooperated with U.S. law enforcement in the past.

Information on money laundering convictions is not publicly available.

## **Canada**

### **OVERVIEW**

Money laundering activities in Canada involve the proceeds of illegal drug trafficking, fraud, corruption, counterfeiting and piracy, and tobacco smuggling and trafficking, among others. Foreign-generated proceeds of crime are laundered in Canada, and professional, third-party money laundering is a key concern. Transnational organized crime groups and professional money launderers are key threat actors.

Although the legislative framework does not allow law enforcement to have direct access to Canada's FIU databases, financial intelligence is received and disclosed effectively. The government should take steps to increase enforcement and prosecution.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money is laundered via several mediums, including bulk cash smuggling, MSBs/currency exchanges, casinos, real estate, wire transfers, offshore corporations, credit cards, foreign accounts, funnel accounts, hawala networks, and the use of digital currency.

The illicit drug market is the largest criminal market in Canada, while the counterfeit and pirated goods market is substantial and continues to grow rapidly. Transnational organized crime groups represent the most threatening and sophisticated actors in both markets, given their access to professional money launderers and facilitators, and their use of various money laundering methods to shield their illicit activity from detection by authorities.

### **KEY AML LAWS AND REGULATIONS**

Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) that strengthen Canada's AML regime and improve compliance came into force in June 2017. These amendments expand the ability of the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's FIU, to disclose information to police, the Canada

Border Services Agency, and provincial securities regulators. They also mandate AML measures for provincially-operated online casinos.

Entities subject to KYC and STR requirements include 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); MSBs; accountants and accountancy firms; precious metals and stones dealers; and notaries in Quebec and British Columbia. A second package of regulatory amendments is under development that will close other gaps in Canada's AML regime, such as the lack of AML compliance measures for foreign MSBs and virtual currency dealers.

As of July 2016, the PEP provisions of the PCMLTFA were amended to include domestic persons and heads of international organizations (HIO). The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, an HIO, or an associate or family member of any such person.

Canada published its national AML/CFT risk assessment in July 2015 and is currently updating this assessment. The PCMLTFA requires a Committee of Parliament undertake a review of the administration and implementation of the Act every five years, with the next review expected in 2018.

Canada has records exchange mechanisms with the United States and other governments. Canada has strong AML cooperation with the United States and Mexico through the AML workshops falling under the annual North American Drug Dialogue.

Canada is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Canada-2016.pdf>.

### **AML DEFICIENCIES**

AML regulation of attorneys was overturned by the Canadian Supreme Court in 2015 as an unconstitutional breach of attorney-client privilege. Trust and company service providers, with the exception of trust companies, are also not subject to preventative measures.

Canada's legislative framework does not allow law enforcement agencies access to FINTRAC's databases; however, when FINTRAC has determined there are reasonable grounds to suspect that information received from reporting entities would be relevant to an investigation or prosecution of a money laundering offense, the FIU is required to make financial intelligence disclosures to appropriate authorities. Information may be sent to multiple authorities if links to parallel investigations are suspected.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Canada has a rigorous detection and monitoring process in place, but should further enhance its enforcement and prosecutorial capabilities. As noted by international experts, when the

magnitude of the identified money laundering risks are taken into account, Canada's money laundering conviction rate appears to be low; over the past five years, only 169 trials on charges of money laundering led to a conviction. In addition to the offense of laundering the proceeds of crime, the possession of proceeds of crime (PPOC) is also a criminal offense. The same penalties apply to both laundering and PPOC convictions involving more than \$5,000. Of PPOC charges brought in 2014 (most recent data available), 17,191 resulted in a conviction on at least one charge.

Canada adopted the Security of Canada Information Sharing Act in 2015 to facilitate information sharing among government agencies regarding activity that undermines national security.

Canada adopted legislation regulating virtual currencies in 2014 that will subject persons and entities to the same reporting requirements as MSBs. The law will not come into force until a second package of regulatory amendments is completed. Digital currency exchanges will have to register with FINTRAC. Financial institutions will be prohibited from establishing and maintaining accounts for virtual currency businesses not registered with FINTRAC.

## **Cayman Islands**

### **OVERVIEW**

The Cayman Islands, a UK overseas territory, is an international financial center that provides a wide range of services including banking, structured finance, investment funds, trusts, and company formation and management. As of June 2017, the banking sector had U.S. \$1.03 trillion in international assets and there are 158 banks, 146 trust company licenses, 143 licenses for company management and corporate service providers, 836 insurance-related licenses, and five MSBs. Additionally, there are 98,686 companies incorporated or registered in the Cayman Islands and 10,621 licensed/registered mutual funds.

On October 2, 2017, the government adopted and has implemented a risk-based approach with the introduction of the Anti-Money Laundering Regulations, 2017 (AMLR, 2017). Implementation of a platform to enhance the timeliness of sharing beneficial ownership information was completed on July 1, 2017.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The Cayman Islands has an indirect tax regime and its susceptibility to money laundering is primarily due to foreign criminal activity and may involve fraud, tax evasion, or drug trafficking. The offshore sector may be used to layer or place funds into the Cayman Islands' financial system. The Cayman Islands' network of tax information exchange mechanisms extends to over 112 treaty partners. In 2017, the Cayman Islands implemented automatic exchange of information for tax purposes under the Common Reporting Standard.

Gaming is illegal. The government does not permit registration of offshore gaming entities. Authorities do not see risks from bulk cash smuggling related to cruise ships given strong due

diligence procedures in place. Cayman Enterprise City, a Special Economic Zone, was established in 2011 for knowledge-based industries, primarily internet and technology, media and marketing, commodities and derivatives, and biotechnology.

### **KEY AML LAWS AND REGULATIONS**

Shell banks and anonymous accounts are prohibited. The use of bearer shares has been prohibited since May 2016 (prior to 2016, bearer shares were required to be immobilized and held by a recognized custodian).

In 2017, the Cayman Islands Legislative Assembly passed AML-related legislation. The Terrorism (Amendment) Law, 2017, approved by the local legislature in November 2017, enhances the AML efforts in that property is given a wider definition and terrorism/terrorist financing is now a predicate offense for money laundering. The Penal Code (Amendment) (No. 2) Law, 2017, also approved by the local legislature in November 2017, codifies tax evasion as a predicate offense. Additionally the Cabinet of the Cayman Islands Government approved the Police (Information and Assistance to International Law Enforcement Agencies) Regulations, 2017, which set out procedures to facilitate the efficient and effective sharing of beneficial ownership information between local and international law enforcement agencies.

CDD and STR requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, money service businesses, lawyers, accountants, corporate and trust service providers, money transmitters, dealers of precious metals and stones, the real estate industry, and other relevant financial business as defined in the Proceeds of Crime Law (2017 Revision) (POCL).

The AMLR, 2017 requires entities designated as conducting relevant financial business in accordance with the POCL to use a risk-based approach, to include the application of enhanced due diligence procedures for high risk clients such as PEPs.

The Cayman Islands is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthecaymanislands.html>.

### **AML DEFICIENCIES**

The Cayman Islands has enhanced its AML supervision of real estate agents, accountants, and entities that trade or store precious metals, precious stones, or financial derivatives. These enhancements are designed to mitigate the risk posed by commodities and derivatives trading in the jurisdiction.

The UNCAC has not yet been extended to the Cayman Islands; however, the Articles of that convention have been implemented via domestic legislation.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The UK is constitutionally responsible for the Cayman Islands' international relations and arranges for the ratification of conventions to be extended to the Cayman Islands. The 1988 UN Drug Convention was extended to the Cayman Islands in 1995 and the UNTOC in 2012.

In 2017, the government conducted 20 money laundering investigations, resulting in the arrest of nine individuals and the initiation of nine asset forfeiture cases. Between January and September 2017, there were five money laundering-related prosecutions, which have thus far resulted in one conviction. Furthermore, in 2017, the Cayman Islands assisted the United States through the use of a MLAT.

Legislation enabling administrative penalties for financial and DNFBP supervisors was approved by the Cabinet in September 2017.

Population of the centralized platform to access beneficial ownership information began on July 1, 2017. All financial service providers already are required to collect and maintain beneficial ownership information on their clients.

## **China, People's Republic of**

### **OVERVIEW**

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. Chinese authorities continue to identify new money laundering methods, including illegal fundraising activity, cross-border telecommunications fraud, weapons of mass destruction proliferation finance and other illicit finance activity linked to North Korea, and corruption in the banking, securities, and transportation sectors.

While China continues to make improvements to its AML legal and regulatory framework, gradually making progress toward meeting international standards, there are shortcomings in implementing laws and regulations effectively and ensuring transparency, especially in the context of international cooperation. China should cooperate with international law enforcement in investigations regarding indigenous Chinese underground financial systems, virtual currencies, shell companies, and trade-based value transfers that are used for illicit outbound transfers and/or inbound criminal proceeds.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The primary sources of criminal proceeds are corruption, drug and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via methods that include bulk cash smuggling; TBML; the use of shell companies to mask the true originators and beneficiaries of transactions; manipulating invoices for services and the shipment of goods; purchasing valuable assets, such as real estate and gold; investing illicit funds in lawful sectors; gaming; and exploiting formal and underground financial systems, in addition to third-party

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

China is not considered a major offshore financial center; however, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 other coastal cities. As part of China's economic reform initiative, China opened FTZs in Shanghai in 2013 and in Tianjin, Guangdong, and Fujian in 2015.

### **KEY AML LAWS AND REGULATIONS**

In an August 2016 report, the People's Bank of China (PBOC) AML Bureau Director General reviewed China's work to date, noting that China had published five major guidelines clarifying implementation of the AML Law and built up an alert system, including client identity verification, suspicious transaction reporting, and customer information and transaction recording.

On July 1, 2016, a PBOC guideline took effect, which requires real-name identity verification for online payment platforms operated by non-bank financial institutions. Tencent and Alipay, online and mobile payment systems, have reportedly implemented the requirements.

In February 2016, the PBOC issued a guideline requiring the Shanghai FTZ to construct an AML system and to conduct capital monitoring and analysis in the zone. The guideline calls for prioritizing client due diligence investigations and focusing on actual account holders and transaction beneficiaries.

China has comprehensive KYC and STR regulations. Financial institutions are required to determine and monitor the risk levels of customers and accounts, including whether the customer is a foreign PEP. Accounts with the highest risk level must be subject to re-verification at least every six months. If it is determined an existing customer has become a PEP, then senior management approval must be obtained to continue that relationship.

China is a member of the FATF as well as the APG and the EAG, both FATF-style regional bodies. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/a-c/china/documents/mutualevaluationofchina.html>.

### **AML DEFICIENCIES**

Improvements should be made to address the rights of bona fide third parties and the availability of substitute assets in seizure/confiscation actions.

China's FIU is not a member of the Egmont Group.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

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

The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and public prosecutors are authorized to take provisional measures to seize or freeze property to preserve its availability for confiscation upon conviction. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes the seizure/confiscation of substitute assets of equivalent value.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML matters. U.S. law enforcement agencies note China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition, 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.

In 2015, there were 1,540 money laundering prosecutions. Information on convictions is not available.

## **Colombia**

### **OVERVIEW**

Despite Colombia's fairly strict AML regime, the laundering of money, primarily from illicit drug trafficking and illegal mining, but also from domestic terrorist groups, continues throughout its economy and affects its financial institutions. Colombia's Congress passed a law in early 2017 to address inefficiencies in its asset forfeiture regime. The Colombian government should continue to pursue legal and administrative mechanisms to improve interagency cooperation in implementing an effective and efficient AML regime.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Techniques and commodities used to launder illicit funds include: the smuggling of bulk cash, gasoline, liquor, and household appliances; wire transfers; remittances; TBML; casinos, games of chance, and lotteries; electronic currency; cattle; textiles; illegal gold mining; prepaid debit cards; and prepaid cellular minutes. Trading of counterfeit items is another method used to launder illicit proceeds. The 104 FTZs in Colombia are vulnerable due to inadequate regulation, supervision, and transparency.

Criminal organizations smuggle merchandise to launder money through the formal financial system using trade, the non-bank financial system, and the BMPE mechanism. Purchased goods are either smuggled into Colombia via neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. Counterfeit and smuggled goods are readily available in well-established black markets. Invoice-related TBML schemes are also used to transfer value. Evasion of the normal customs charges is allegedly facilitated by the complicity of corrupt customs authorities, according to government officials.

Money laundering also occurs through regional lotteries, called "Chance," which are easily exploitable due to weaknesses in the reporting system of these games to central government regulators.

### **KEY AML LAWS AND REGULATIONS**

The AML legal regime and regulatory structure in Colombia generally meets international standards, and Colombia has enacted comprehensive CDD and STR regulations. Enhanced due diligence for PEPs, or public employees who manage public money, is required.

The Asset Forfeiture Law 1849 of 2017 was the seventh legal reform that modified the Statute of Asset Forfeiture. The new code has a total of 57 articles that change the criteria in all stages of the procedure, the most important of which will shorten the process by allowing early disposition of some assets before a judge issues a final decision. The law also expands the Prosecutor's options in negotiating outcomes. Profits from the sale of seized goods will be distributed as follows: 25 percent for the judicial branch; 25 percent for the Attorney General's Office (AGO); 10 percent for the Colombian National Police to support investigations; and 40 percent for prison infrastructure. This law will provide more resources to the Colombian government to fight organized crime, drug trafficking, and corruption, as well as relieve it of the burden of managing the seized assets.

Colombia cooperates closely with United States law enforcement authorities in money laundering and asset forfeiture investigations, and exchange of information occurs regularly.

Colombia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.gafilat.info/index.php/es/biblioteca-virtual/miembros/colombia/evaluaciones-mtuas-4/64-colombia-3era-ronda-2008>.

### **AML DEFICIENCIES**

Key impediments to an effective AML regime are underdeveloped institutional capacity, limited interagency cooperation, and inadequate expertise in investigating and prosecuting complex financial crimes. Although interagency cooperation is increasing, a reluctance to share information and bureaucratic stove piping continue to limit the effectiveness of Colombia's AML regime.

Despite improvements, regulatory institutions lack the analytical capacity and technological tools to effectively examine the vast amount of available data. Insufficient knowledge and training

about financial crimes among Colombian judges is another key impediment to investigating and prosecuting money laundering crimes.

Colombian law restricts the disclosure of financial intelligence from Colombia's FIU, the Unit for Information and Financial Analysis (UIAF), to the AGO. The legal requirement that prosecutors conduct investigations means many cases already investigated by UIAF must be re-examined by the AGO, increasing case processing time and adding unnecessary work for prosecutors.

Lack of judicial sector familiarity with the asset forfeiture law, especially outside of Bogota, continues to challenge its effective use. The government reorganized the body in charge of managing seized assets to increase the speed with which these assets could be discharged; however, the AGO retains the right to seize certain assets using a separate legal procedure. A lack of sound practices, standards, and coordination between the AGO and the judicial system continues to be an impediment.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Colombian government counternarcotics efforts have traditionally focused on preventing narcotics trafficking, but fewer operational or intelligence efforts have been directed at tracking and seizing the proceeds of those drug sales, which make use of the same smuggling routes or other transfer methods.

Despite Colombia's robust legal and institutional AML infrastructure, key impediments are inadequate interagency cooperation, limited information sharing among relevant Colombian law enforcement and financial regulation agencies, an inefficient judicial system, and a lack of expertise and experience in investigating and prosecuting complex financial crimes. Colombian policymakers recognize these challenges and have been working to address them.

## **Costa Rica**

### **OVERVIEW**

Transnational criminal organizations continue to employ Costa Rica as a base for financial crimes due to limited enforcement capacity and its location on a key transit and operations route for narcotics trafficking. Costa Rica has significantly strengthened its legal framework for supervision and enforcement and is working steadily to implement new legislation. Additional resources for key units and enhanced penalties for narcotics-related financial crimes could mitigate current challenges.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Narcotics trafficking proceeds represent the largest source of laundered assets. Human trafficking, financial fraud, corruption, and contraband smuggling also generate illicit revenue. The construction and real estate industries, money or value transfer services (MVTs), and

casinos remain vulnerable to exploitation, as well as state and private financial institutions. Online gaming is legal in Costa Rica, and “sportsbook” enterprises are suspected of laundering millions of dollars, directly and through extortionate money lending operations. Bulk cash smuggling and smurfing remain prevalent.

Personnel shortages continue to plague the FIU and Special Prosecutor Office for Money Laundering. Cyber currencies remain unregulated, and the expected opening of Costa Rica’s first bitcoin automated teller machine in the near future will likely increase vulnerability to laundering through virtual currencies.

### **KEY AML LAWS AND REGULATIONS**

The passage of Law 9449 in May 2017 establishes reporting and supervision requirements for non-bank financial institutions and DNFBCs, expanding Costa Rica’s KYC and STR requirements. Entities covered, in addition to those traditionally regulated, include banks, savings and loan cooperatives, and pension funds. The newly-regulated entities are insurance companies and intermediaries; money exchangers/remitters; securities brokers/dealers, credit issuers and sellers/redeemers of traveler’s checks and money orders; trust administrators, financial intermediaries, and asset managers; real estate developers/agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; pawnshops; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; NGOs that receive funds from high-risk jurisdictions; lawyers, notaries public, and accountants.

Costa Rica and the United States do not have a MLAT agreement. Costa Rica cooperates effectively with U.S. law enforcement through international cooperation offices at key institutions and is party to several inter-American agreements on criminal matters and UN conventions.

Costa Rica is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at:  
[http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/IEM%204ta%20Ronda//MER\\_Costa\\_Rica\\_Final\\_Eng%20\(1\).pdf](http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/IEM%204ta%20Ronda//MER_Costa_Rica_Final_Eng%20(1).pdf).

### **AML DEFICIENCIES**

Costa Rica significantly strengthened its AML legal framework in the last few years and is currently focused on implementation. Costa Rican law does not attribute criminal responsibility to legal entities, although it may ascribe civil liability.

Due to entrenched opposition from special interest groups, Costa Rica has not yet established a stand-alone framework for non-conviction based asset forfeiture, forcing reliance on two articles of the existing asset forfeiture law, which lack provisions for asset sharing or international cooperation.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Costa Rica continues to improve its enforcement framework, focusing on recognized deficiencies. In 2017, Costa Rica's central bank approved the hiring of two dozen staff and nearly U.S. \$12 million to develop the required platforms for supervision of DNFBPs. Over 600 individuals subject to the new requirements have been trained, and reporting of suspicious transactions has commenced. The central bank is concurrently developing the beneficial ownership registry designed to allow AML and tax authorities to trace the true ownership of all financial assets in the system. In July 2017, Costa Rica published guidelines to manage currency reporting obligations under Law 8204 and standardize procedures at air and overland ports of entry.

For 2018, authorities plan to nearly double personnel assigned to the FIU and Special Prosecutor Office for Money Laundering. From January 1 to June 30, 2017, Costa Rica opened 43 money laundering cases; 10 were tried between January 1 and August 31, resulting in five convictions. The number of cases tried shows a decline compared to 2016, while the conviction rate remains stable at approximately 50 percent.

Money laundering convictions remain a complex endeavor, as prosecutors must prove a direct link between the predicate offense and illicit assets. Cases linked to non-narcotics predicate offenses are rare, and prosecutions typically arise from cash discoveries at ports of entry, checkpoint inspections, and narcotics raids. Due to the difficulty of linking assets to a specific crime, judges frequently acquit defendants while seizing the assets, in a tacit acknowledgement of their undetermined illicit origin.

## **Cuba**

### **OVERVIEW**

Cuba is not a regional financial center. Cuban financial practices and U.S. sanctions continue to prevent Cuba's banking system from fully integrating into the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, and lack of government and legal transparency render Cuba an unattractive location for money laundering through financial institutions. The centrally planned economy allows for little, and extremely regulated, private activity. A significant black market operates parallel to the heavily subsidized and rationed formal market dominated by the state.

The Government of Cuba does not identify money laundering as a major problem. Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities to expand its capacity to fight illegal activities. Cuba also should increase the transparency of criminal investigations and prosecutions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Cuba's geographic location puts it between drug-supplying and drug-consuming countries. Cuba has little foreign investment, a small international business presence, and no offshore casinos or

internet gaming sites. Cuba's first special economic development zone at the port of Mariel in northwestern Cuba was established in November 2013 and is still under development; it is not currently an area of concern. There are no known issues with or abuse of NPOs, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations.

### **KEY AML LAWS AND REGULATIONS**

Cuba claims to take into account international AML/CFT standards. Legislation released in 2013 outlines regulations regarding enhanced customer due diligence of foreign PEPs, although it continues to exempt domestic PEPs from the reach of the legislation.

The United States and Cuba do not have a formal records-exchange mechanism in place but have developed a mutual legal assistance relationship through the legal cooperation technical working group established by the Law Enforcement Dialogue. The DEA has established direct communication with its Cuban counterpart to focus on counternarcotics cooperation. Cuba has bilateral agreements with a number of countries related to combating drug trafficking. Cuba's FIU became a member of the Egmont Group in 2015.

Cuba is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/a-c/cuba/documents/mer-cuba-2015.html>.

### **AML DEFICIENCIES**

Although the risk of money laundering is low, Cuba has a number of strategic deficiencies in its AML regime. These include a lack of SAR reporting to its FIU from financial institutions and DNFBPs and weak supervision and enforcement of its DNFBP and NPO sectors.

These deficiencies stem from Cuba's opaque national banking system, which hampers efforts to monitor the effectiveness and progress of Cuba's AML efforts. Cuba should increase the transparency of its financial sector and increase its engagement with the regional and international AML communities. Cuba should ensure its customer due diligence measures and STR requirements include domestic PEPs, all DNFBPs, and the NPO sector, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba also should increase the transparency of criminal investigations and prosecutions.

The U.S. government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The embargo remains in place and restricts tourist travel and most investment and prohibits the import of most products of Cuban origin. With some notable exceptions, including agricultural products, medicines and medical devices, telecommunications equipment, and consumer communications devices, most exports from the United States to Cuba require a license. Additionally, a number of U.S.-based assets of the Cuban government or Cuban nationals are frozen.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The government has run high-profile campaigns against corruption in recent years, investigating and prosecuting Cuban officials and foreign business people. Cuba released no reports of prosecutions or convictions for money laundering in 2017; the last reported case occurred in August 2011.

Cuba has agreed to continued cooperation and to the establishment of mechanisms to promote cybersecurity and to combat terrorism, drug-trafficking, trafficking in persons, money laundering, smuggling, and other transnational crimes. The United States and Cuba have a Law Enforcement Dialogue with working groups on counternarcotics, money laundering, counterterrorism, human smuggling, trafficking in persons, trade security, and legal cooperation.

## **Curacao**

### **OVERVIEW**

Curacao is a regional financial center and a transshipment point for drugs from South America. Money laundering is primarily related to proceeds from illegal narcotics, although recently unlicensed banking through Chinese mini-markets has also been identified as a source for laundered funds, resulting in investigations and arrests.

Curacao is an autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions, with the approval of the local Parliament.

In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and sharing of information in the area of criminal investigation and law enforcement. One priority area is interdicting money laundering operations. The MOU activities are ongoing.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering organizations may take advantage of the availability of U.S. dollars, offshore banking and incorporation systems, two free trade zones, a shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casinos to place, layer, and integrate illegal proceeds. Money laundering occurs through real estate purchases and international tax shelters, and through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands. Given its proximity and economic ties to Venezuela, the risk of Curacao being used to launder the proceeds of crimes emanating from Venezuela is substantial. Curacao has provided access to Venezuelans seeking U.S. dollars and euros.

Domestic public corruption poses a money laundering threat to Curacao.

### **KEY AML LAWS AND REGULATIONS**

The Kingdom may extend international conventions to the autonomous countries in the Kingdom. The Kingdom extended the application to Curacao of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as they do not infringe on the foreign policy of the Kingdom.

The financial sector consists of company (trust) service providers, administrators, and self-administered investment institutions providing trust services and administrative services. Curacao continues to sign Tax Information Exchange Agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, terrorist financing, and money laundering.

The following types of service providers are obligated by AML legislation to file unusual transaction reports (UTRs) with the FIU and are covered by the KYC laws: accountants and accounting firms, auditors and auditing firms, auto/car dealers, credit unions, credit card companies, building societies, insurance companies, financial leasing companies, money remitters, real estate agents, securities brokers/dealers, banks, casinos, credit associations, financial advisors, lotteries, money exchanges (only domestic banks are permitted to provide the service of exchanging foreign currencies), notaries, pawn shops, dealers in precious stones and metals, lawyers, pension funds, online betting lotteries, trust companies, construction material dealers, and administrative services providers. Pursuant to new legislation passed by Parliament in 2017, money transfer/cash courier companies must be licensed and supervised by the Central Bank of Curacao and Sint Maarten. Other national ordinances were passed or amended to update and harmonize supervision.

Curacao is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Curacao is a member of the CFATF, a FATF-style regional body, and, through the Kingdom, of the FATF. Its most recent MER can be found here: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/curacao/640-curacao-mer-final?highlight=WyJjdXJhXHUwMGU3YW8iXQ>.

### **AML DEFICIENCIES**

Curacao is currently drafting a revised supervisory law for internet gaming (currently the Ministry of Justice is the supervisory authority). Curacao is also in the process of conducting an AML national risk assessment, starting in 2018, supported by the World Bank.

The Kingdom has not extended the UNCAC to Curacao.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Curacao utilizes a UTR reporting system. Pursuant to local legislation, the reporting entities file UTRs with the FIU that are not necessarily qualified as STRs, as is the custom in common law legal systems. The FIU analyzes the UTR and determines if it should be classified as a STR.

The 1983 MLAT between the Kingdom of the Netherlands and the United States applies to Curacao and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao recently conducted a number of high-profile money laundering and predicate crime investigations and numerous former officials were investigated, charged, or convicted, including the former prime minister and former president of the central bank. Curacao continues with two multi-year money laundering prosecutions. Also in 2017, one conviction was confirmed by a higher court.

Curacao should continue its supervision of the offshore sector and FTZs, and further investigate the unlicensed banking phenomenon.

## **Cyprus**

### **OVERVIEW**

Since 1974, the southern part of Cyprus has been under the authority of the Government of the Republic of Cyprus, while the northern part, administered by Turkish Cypriots, proclaimed itself the “Turkish Republic of Northern Cyprus” (“TRNC”) in 1983. In practice, the Republic of Cyprus does not exercise effective control over the area administered by Turkish Cypriots. The United States does not recognize the “TRNC,” nor does any country other than Turkey. A buffer zone, or “green line,” patrolled by the UN Peacekeeping Force in Cyprus, separates the two parts. Cyprus and the area administered by Turkish Cypriots are discussed separately below.

Cyprus has a comprehensive AML legal framework, which it continues to upgrade. As a regional financial center, Cyprus has a significant number of nonresident businesses, over 252,500 as of October 31, 2015. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities, even if they do not maintain accounts with banks in Cyprus.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The main risk for the country appears to emanate from layering activities, mainly from international business through banking transactions. Apart from domestic criminal offenses, Cyprus is affected to a certain extent by criminal acts committed abroad, proceeds of which may be laundered through the Cypriot banking system. The main criminal activities and trends identified are investment fraud, advance fee fraud, phishing, and, to a lesser extent, drug trafficking. Additionally, there has been a considerable increase in the number of cases involving electronic fraud, especially e-mail hacking and the use of ransomware. Banks

operating in Cyprus are known to be used by organized criminal groups and corrupt officials to launder proceeds, in particular, the proceeds from Russian and Ukrainian corruption.

Cyprus amended its investor citizenship program in November 2016, lowering the investment threshold to allow foreign investors to apply for Cypriot (and therefore, EU) citizenship after investing more than U.S. \$2.2 million in Cyprus. The Ministry of Interior and other Cypriot authorities conduct comprehensive background checks and due diligence before granting citizenship.

Cyprus abolished its two FTZs in 2011.

### **KEY AML LAWS AND REGULATIONS**

The Unit for Combating Money Laundering (MOKAS) is Cyprus' FIU. Cyprus has several supervisory authorities for AML compliance, including the Central Bank of Cyprus (CBC), Cyprus Securities and Exchange Commission (CySEC), Superintendent for Insurance, Council of the Institute of Certified Public Accountants of Cyprus, Council of the Cyprus Bar Association, Real Estate Agents Registration Council, National Betting Authority, and Cyprus Casino Gaming Commission. Each of these entities can issue directives to their respective supervised entities. The supervisory authorities have developed onsite and offsite tools for risk-based supervision, setting inspection cycles and the nature of inspections according to the risk profile of regulated entities.

In October 2017, Parliament initiated discussion of a draft bill amending the AML/CFT law and transposing the provisions of the 4th EU AML Directive. Passage of the bill has been delayed until after February 2018, when parliament will reconvene after presidential elections. One of the key provisions of this bill will create a national registry listing all beneficial owners of legal entities in Cyprus.

The AML law contains provisions allowing for the registration and enforcement of foreign court orders. Cypriot authorities maintain close cooperation with foreign supervisory authorities, including with the United States. Cypriot legislation covers foreign as well as domestic PEPs.

Cyprus is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/cyprus>.

### **AML DEFICIENCIES**

Cyprus has a strong AML legal framework, which it continues to upgrade. Cypriot authorities are finalizing a national risk assessment (NRA) of money laundering and terrorist financing vulnerabilities. An action plan, following adoption of the NRA, will address possible deficiencies or areas for improvement.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Cyprus implements the 1988 UN Drug Convention and other applicable international conventions. Additionally, there is a bilateral MLAT between the United States and Cyprus.

In the period 2011-2015, Cypriot authorities prosecuted 403 money laundering-related cases, often with multiple defendants, leading to 90 convictions. Statistics are not yet available for 2016.

As part of its onsite and offsite supervisory activity over credit, payment, and e-money institutions, the CBC continues to assess the need to impose administrative fines in cases where it identifies deficiencies in the implementation of the law or CBC directives. In an effort to “name and shame” offenders, both the CBC and CySEC have begun posting information on their websites on the imposition of such fines.

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

#### **OVERVIEW**

The area administered by Turkish Cypriots lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. However, Turkish Cypriot authorities have taken steps to address some of the major deficiencies, although “laws” are not sufficiently enforced to effectively prevent money laundering. The casino sector and the offshore banking sector remain of concern for money laundering abuse.

#### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

As of November 2017, there are 30 casinos in the Turkish Cypriot-administered area. Local experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, vulnerable to money laundering. The unregulated money lenders and currency exchange houses are also areas of concern.

The offshore banking sector also remains a concern to law enforcement. As of November 2017, it consists of seven offshore banks regulated by the “central bank” and 411 offshore companies. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch locally.

In the area administered by Turkish Cypriots, there is one “free port and zone” in Famagusta, which is regulated by the “Free-Ports and Free Zones Law.” Operations and activities permitted include industry, manufacturing, and production; storage and export of goods; assembly and repair of goods; building, repair, and assembly of ships; and banking and insurance services.

There have been reports of smuggling of tobacco, alcohol, meat, and fresh produce across the UN buffer zone. Additionally, intellectual property rights 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.

## **KEY AML LAWS AND REGULATIONS**

Turkish Cypriot authorities passed AML “legislation” in 2008.

The following entities are required to submit STRs to the “FIU”: banks, cooperatives, financial leasing companies, factoring companies, casinos and other gaming companies, capital market institutions, portfolio management companies, investment fund managers, jewelers, money exchange offices, real estate companies, “Lottery Department,” accountants and auditors, insurance companies, postage and cargo companies, antiquities and antique businesses, auto dealers, and law firms. Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “Attorney General’s Office,” and then, if necessary, to the “Police” for further investigation. The committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “central bank,” “Police,” and “Customs.”

The “central bank” oversees and regulates local, foreign, and private banks. There are 22 banks in the area administrated by Turkish Cypriots, of which 14 are Turkish Cypriot-owned banks, and eight are branches of banks in Turkey.

With international assistance, Turkish Cypriot authorities drafted new AML “legislation” in 2014 incorporating international standards and the EU Fourth AML Directive, but the “legislation” is still pending approval in “Parliament.”

The area administrated by Turkish Cypriots does not have a records-exchange mechanism with the United States. It is not a member of any FATF-style regional body, and, thus, is not subject to AML/CFT peer evaluation. The area administrated by Turkish Cypriots is not subject to any U.S. or international sanctions or penalties.

## **AML DEFICIENCIES**

The area administrated by Turkish Cypriots lacks the legal and institutional framework necessary to provide effective protection against money laundering risks. Inadequate legislation and a lack of expertise among members of the enforcement, regulatory, and financial communities restrict regulatory capabilities.

The area does implement enhanced due diligence procedures for PEPs, foreign and domestic, but lacks enforcement.

According to local experts, the “criminal code” needs to be updated to aid money laundering-related prosecutions.

The area administrated by Turkish Cypriots is not a member of the Egmont Group.

## **ENFORCEMENT / IMPLEMENTATION ISSUES AND COMMENTS**

While 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.

Between January and November 2017, the “FIU” reported receiving 515 STRs and participated in seven money laundering-related prosecutions.

The EU provides technical assistance to the Turkish Cypriots to combat money laundering because of the area’s money laundering and terrorist finance risks.

## **Dominica**

### **OVERVIEW**

Dominica is an offshore center with a considerable IBC presence and internet gaming. Money laundering cases involve external proceeds from fraudulent investment schemes, advance fee fraud schemes, and the placement of euros related to questionable activities conducted in other surrounding jurisdictions. Domestic money laundering is chiefly linked to narcotics activities.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Dominica is located between the French territories of Guadeloupe and Martinique and, due to its geographical location, the country is used as a transshipment point for narcotics and other criminal activities. For the past few years, money laundering cases involved fraudulent investment schemes, advance fee fraud schemes, credit card fraud schemes, and the placement of euros from criminal activities into the financial system from the neighboring French territories of Marie Galante, Les Saintes, Guadeloupe, and Martinique.

Dominica hosts one internet gaming company, 12 offshore banks, and close to 19,000 IBCs. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs. The Eastern Caribbean Central Bank licenses and supervises domestic commercial banks. The Financial Services Unit (FSU) within Dominica’s Ministry of Finance supervises and licenses offshore banks, credit unions, insurance companies, internet gaming companies, and the country’s economic citizenship program.

Under Dominica’s citizenship by investment program (CIP), individuals can obtain citizenship through a donation of U.S. \$100,000 to the Government Fund for an individual or U.S. \$200,000 for a family of four, or through an investment in real estate valued at a minimum of U.S. \$200,000. The real estate option incurs fees ranging from U.S. \$25,000 to U.S. \$70,000 depending on family size. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process. The CIU does not maintain

adequate autonomy from politicians to prevent political interference in its decisions. U.S. law enforcement is increasingly concerned about the expansion of these programs due to the visa-free travel and ability to open bank accounts accorded these individuals.

The country's porous borders and mountainous terrain pose a challenge to law enforcement officials in effectively policing the various coastlines for drugs and smuggling of goods, such as firearms and cash.

### **KEY AML LAWS AND REGULATIONS**

Dominica has comprehensive AML laws and regulations. These include: the Money Laundering (Prevention) Act No. 8 of 2011, as amended; the Financial Services Unit Act, No. 18 of 2008; the Financial Intelligence Unit Act, No. 7 of 2011; the Proceeds of Crime Act, No. 4 of 1993, as amended; the Anti-Money Laundering and Counter-Financing of Terrorism Code of Practice, No. 10 of 2014; the Exchange of Information Act, No. 25 of 2001; the Mutual Assistance in Criminal Matters Act, Chap. 12:19; the Transnational Organized Crime (Prevention and Control) Act, No. 13 of 2013; and the Criminal Law and Procedure (Amendment) Act, No. 3 of 2014.

The Proceeds of Crime Act of 2014, which is cited as the AML/CFT Code of Practice, highlights duties of the FIU and the FSU in ensuring that financial institutions and persons carrying on a relevant business put appropriate AML systems and controls in place. There are offenses and penalties for non-compliance.

Entities that must comply with KYC rules are banks, venture risk capital managers, money transmission services, money and securities brokers, traders in foreign exchange, money lenders and pawn shops, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies. The AML/CFT Code of Practice covers legal persons and also provides for enhanced due diligence for PEPs.

Dominica is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/dominica-1>.

### **AML DEFICIENCIES**

Dominica has achieved technical compliance with international AML standards. It is not clear whether Dominica has the ability to maintain statistics on matters relevant to the effectiveness and efficiency of its AML regime. In addition, it has not commenced the process of monitoring agents licensed to incorporate IBCs.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Proceeds of Crime Statutory Rules and Orders of 2014 ensures every entity puts proper controls in place to detect and prevent money laundering. It also provides guidance to every financial services entity and professional to appropriately apply the requirements of the Money Laundering Prevention Act of 2011. The law also promotes the use of an appropriate and proportionate risk-based approach to the detection and prevention of money laundering.

Dominica seized over U.S. \$790,000 in 2016 and obtained the final forfeiture order in March 2017. The assets were placed in the Confiscated Assets Fund.

## **Dominican Republic**

### **OVERVIEW**

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

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR vulnerable to money laundering threats. Financial institutions in the DR 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.

Following its expulsion in 2006, the DR is not currently a member of the Egmont Group. It officially requested to begin the process to rejoin Egmont in 2015.

The government should take steps to rectify continuing weaknesses regarding PEPs, pass legislation to provide safe harbor protection for STR filers, and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies and betting and lottery parlors, and strengthen regulations for financial cooperatives and insurance companies.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR. Bulk cash smuggling by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

In 2008, the DR passed a law creating an international FTZ. Because the law calls for an independent regulatory and supervisory authority for the FTZs, public perceptions the zone will be left out of the DR's AML regulatory regime have precluded the issuance of implementing regulations.

### **KEY AML LAWS AND REGULATIONS**

Law 155-17 was updated in 2017, to strengthen penalties and broaden the scope of crimes covered under the legislation, among other changes. The DR has comprehensive KYC and STR regulations.

The United States and the DR do not have a bilateral MLAT but do use a similar process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used on a case-by-case basis.

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

The Dominican Republic is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is not available. The DR is currently undergoing a GAFILAT evaluation.

### **AML DEFICIENCIES**

The DR has a mechanism (Law 155-17) for sharing and requesting information related to money laundering; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. Following its expulsion in 2006, the Dominican government improved the functionality of its AML institutions, but it was only in 2014 that the necessary legislative changes were made to bring the legislative framework into compliance with Egmont Group rules by eliminating a second FIU-like organization. The DR officially requested readmission to the Egmont Group in 2015 but has not yet been readmitted.

The DR has weaknesses regarding PEPs, has no legislation providing safe harbor protection for STR filers, and does not criminalize tipping off. The government also needs to strengthen regulation of casinos and non-bank actors and is exploring methodologies to do so.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The DR continues to work on areas where it is non-compliant with international AML standards, and the national money laundering working group has publicly reaffirmed the government's commitment to reaching compliance.

The Attorney General's Office reports there were six convictions in calendar year 2017 for money laundering as well as 35 active investigations. The Financial Analysis Unit is investigating an additional 37 cases. The Attorney General's Office developed a criminal investigations unit which will work on sensitive cases involving, among other issues, money laundering and corruption.

## **Ecuador**

### **OVERVIEW**

Ecuador is a major drug transit country. A dollar-based economy and geographic location between two major drug producing countries make Ecuador highly vulnerable to money laundering and narcotrafficking. Money laundering occurs through trade, commercial activity, and cash couriers. The transit of illicit cash is a significant activity, and bulk cash smuggling and structuring are common problems.

Government corruption is a significant problem and is drawing increasing attention; it is a high priority for the current administration. Corruption cases have been common, with high-level government officials allegedly receiving kickbacks and bribes. The Attorney General's Office (AGO) continues to investigate allegations of financial crimes related to state oil company PetroEcuador and the Brazilian construction company Odebrecht.

The government is dedicating additional resources to AML efforts. The FIU, the Ecuadorian National Police (ENP) AML Unit, and the AGO's Transparency and Anti-Corruption Unit (AGO/TACU), which prosecutes money laundering, are making progress toward addressing these issues.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Narcotrafficking is a significant source of illicit proceeds, and criminals continue to use commercial and trade mechanisms to launder funds. Authorities note persistent money laundering problems related to government corruption, the real estate sector, tax fraud, illegal mining, gold smuggling, bulk cash smuggling, and cross-border commercial activity with Colombia.

In 2017, the ENP uncovered a major criminal network involved in money laundering, narcotrafficking, human trafficking, and assassinations. Reportedly, the network was connected to a Colombian paramilitary drug cartel. The ENP operation resulted in the confiscation of approximately U.S. \$12 million in cash and the detention of, among others, a local police captain. Additionally, the ENP and the military conducted a joint operation in El Oro province that disrupted an illegal mining operation; such operations reportedly are connected to narcotrafficking and money laundering.

### **KEY AML LAWS AND REGULATIONS**

The 2017 General Regulation to the 2016 Organic Law of Prevention, Detection, and Eradication of Money Laundering and Financial Crimes strengthens suspicious transaction monitoring and reporting requirements and risk management for financial institutions, insurance companies, NGOs, tourism agencies, transportation companies, and real estate developers.

In 2017, the Superintendency of Banks issued new guidelines requiring financial institutions to bolster AML internal controls, exercise greater oversight over transactions, and increase AML training. Ecuador has enhanced due diligence for PEPs.

In August 2017, the National Assembly approved the Organic Law for the Application of the February 19 Referendum. The law prohibits public officials from maintaining assets in countries designated as tax havens. Public officials have until March 2018 to comply or resign from office.

Ecuador uses various conventions to ensure adequate records are available to the United States and other governments in connection with drug investigations and proceedings.

Ecuador is a member of the GAFILAT, a FATF-style regional body. Ecuador's most recent MER can be found at: <http://www.gafilat.info/index.php/es/biblioteca-virtual/miembros/ecuador/evaluaciones-mutuas-7/131-ecuador-3era-ronda-2011>.

### **AML DEFICIENCIES**

Corruption, a lack of adequate training within the judiciary, and frequent misinterpretation of the law are the primary AML deficiencies. Authorities note judges are often susceptible to bribery from prosecutors and defendants and frequently hinder the fight against narcotics-related money laundering.

The Superintendency of the Popular and Solidarity Economy (SEPS) loosely regulates approximately 850 credit unions. SEPS lacks sufficient resources and has difficulty exercising oversight over the institutions. In addition, private banks, in practice, do not always monitor PEPs effectively.

The penal code does not criminalize bulk cash smuggling. Authorities can pursue money laundering charges against bulk cash smugglers, but convictions are difficult to obtain as authorities are given only 30 days to investigate. Additionally, state prosecutors are required to inform a suspect s/he is under investigation, which, according to government authorities, often results in key evidence disappearing. The law stipulates that failure to declare cash/currency at a port of entry is punishable by an administrative fine – the law does not address other financial instruments. In 2017, Customs issued a resolution exempting travelers arriving at Ecuador's international airports from submitting a customs declaration form unless they are bringing in over U.S. \$10,000 in cash or other "taxable assets."

Article 233 of the 2008 Constitution permits trials in absentia and voids the statute of limitations for government officials on trial for embezzlement, bribery, extortion, or illicit enrichment, but does not address money laundering. According to authorities, this frequently results in officials

under investigation for money laundering fleeing Ecuador until the statute of limitations has been reached, hindering prosecutions.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The FIU is providing free online AML training to government officials and is implementing a restructuring plan. From January to September 2017, the FIU referred U.S. \$1.1 billion in suspicious transactions to the AGO.

As part of a plea deal, a former top Odebrecht executive in Ecuador revealed the company had paid U.S. \$33.5 million in bribes since 2007 to secure infrastructure contracts in Ecuador. On December 13, 2017, former Vice President Glas and four others were found guilty and sentenced to six years in prison. Additionally, the AGO secured convictions against a former PetroEcuador general manager on charges of organized crime, illicit enrichment, and bribery; and a bribery conviction against a former Minister of Hydrocarbons and PetroEcuador general manager.

The government does not make information on the total number of money laundering-related prosecutions and convictions publicly available.

## **Egypt**

### **OVERVIEW**

Egypt is not considered a regional financial center or a major hub for money laundering. The Government of Egypt has shown increased willingness to tackle money laundering, but Egypt remains vulnerable by virtue of its large informal, cash-based economy. There are estimates that as much as two-thirds of the population does not have bank accounts, and the informal economy accounts for approximately 40 percent of the GDP. Consequently, extensive use of cash is common. The central bank and the Federation of Egyptian Banks aim to promote financial inclusion by incentivizing individuals and small businesses to enter the formal financial sector. In February 2017, the president issued a decree establishing the National Council for Payments (NCP), tasked with limiting the use of cash, promoting the use of electronic payment mechanisms, and integrating citizens and enterprises into the banking system. In addition, the FIU issued regulations for mobile phone-based payments. There are now 9 million mobile payment accounts in Egypt.

Countering corruption remains a long-term focus. Investigations of public figures and entities have resulted in the arrests of Alexandria's deputy governor and the secretary general of Suez on several corruption charges, and the investigation into five members of parliament alleged to have sold hajj visas.

The government should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, Egypt needs to build the capacity of the judicial system related to money laundering. Egypt also should work to more effectively manage all aspects of its asset forfeiture regime, including identification, seizure, and forfeiture.

## **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Sources of illegal proceeds reportedly include smuggling of antiquities and trafficking in narcotics and/or arms. However, some organizations also have turned to funding sources based on new technologies and social media. The FIU started raising awareness among stakeholders within the government. Authorities also note increased interception of illicit cross-border fund transfers by customs agents in recent years.

## **KEY AML LAWS AND REGULATIONS**

In October 2017, parliament approved and passed amendments to the Administrative Control Authority (ACA) law, which grants the ACA full technical, financial, and administrative authority to investigate corruption within the public sector (with the exception of military personnel/entities). The ACA further has the mandate to conduct investigations into suspected money laundering crimes in conjunction with the Anti-Money Laundering Unit in the Central Bank of Egypt. The law is viewed as strengthening an institution that was established in 1964.

The government is also increasing efforts to improve monitoring of remittances from abroad to ensure the remittance system is not used for money laundering or terrorist financing purposes. Remittances from Egyptian citizens abroad amount to some U.S. \$17 billion per year, and authorities have worked to more fully integrate these remittances into the formal banking system. The floating of the currency has attracted remittance transactions back into formal market channels, with one economist estimating 80 percent of remittances are now in the formal banking system.

Egypt has KYC and STR regulations in place. The FIU, in coordination with the supervisory authorities, regularly issues regulations on a case-by-case basis. Egypt is a member of the MENAFATF, a FATF-Style Regional Body. Its most recent MER can be found at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-arab-republic-egypt>.

## **AML DEFICIENCIES**

Egypt should improve its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system lacks the capacity to deal with complex financial crimes. During 2017, Egypt demonstrated that AML prosecutions are feasible and independent of action on the predicate offense. Previously, the penal code had obliged prosecutors to press charges on the most serious, readily provable offense and, because other offenses carried higher penalties than money laundering, prosecutors did not pursue money laundering. Now, judges are required to issue two penalties, one for money laundering and another for the predicate offense. However, different circuits of Egypt's Court of Cassation, the country's highest criminal court, have reportedly taken differing positions on whether a conviction for the predicate offense is required for a money laundering conviction. During 2017, there were instances when a predicate crime and a money laundering crime were simultaneously investigated without waiting for a court sentence on the predicate crime as well separate money laundering offenses investigated

after a predicate crime had already been referred to court. Finally, Egypt's asset forfeiture regime could more effectively identify, seize, and induce forfeiture of assets.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The largest challenge is awareness and training among public prosecutors. The government is working to incorporate technical and analytical training on the investigation and prosecution of money laundering and related crimes into its judicial curriculum. To better align AML cases, the government drafted a plan, in coordination with the FIU, to train law enforcement officers and judges on financial analysis and investigation techniques.

## **El Salvador**

### **OVERVIEW**

El Salvador's main money laundering vulnerability is the lack of an independent FIU, which is currently barred from sharing information with the United States, and an investigation process that prevents other bodies from accessing financial intelligence. Additionally, the lack of supervision of DNFBPs leaves this sector vulnerable to abuse.

Current capacity-building efforts are improving El Salvador's ability to investigate and prosecute more complex money laundering; however, the legislature recently attempted to weaken the asset forfeiture law in ways that would benefit corrupt officials.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

El Salvador is geographically vulnerable to the transit of South American cocaine destined for the United States. This, and the existence of some close business and political relationships with Venezuela, make its financial institutions vulnerable to money laundering activities.

The U.S. dollar is the official currency in El Salvador, and the country's dollarized economy and geographic location make it a potential haven for transnational organized crime groups, including human smuggling and drug trafficking organizations. Money laundering is primarily related to proceeds from illegal narcotics and organized crime activity.

The Central America-Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens across the respective borders. Several trade-based and black market currency schemes have been identified in El Salvador as a result of lax border/customs security.

Organized crime groups launder money through the use of front companies, travel agencies, remittances, the import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing operations, whereby small amounts of money are transferred in a specific pattern to avoid detection. Many of these funds come from narcotics activities in Guatemala.

As of December 2017, there were 17 FTZs operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. FTZs are particularly vulnerable to illicit activity such as TBML and bulk cash smuggling.

### **KEY AML LAWS AND REGULATIONS**

The Superintendent of the Financial System (SSF) supervises only those accountants and auditors with a relationship with a bank or bank holding company. Following a 2015 reform and its implementation on January 4, 2016, the SSF now supervises all MSBs, including those not related to a bank or a bank holding company.

On July 18, 2017, the legislature amended the asset forfeiture law to provide substantial protections to public officials. The Supreme Court temporarily enjoined these changes pending a final decision that is expected by mid-2018.

El Salvador is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/el-salvador-1/71-el-salvador-3rd-round-mer>.

### **AML DEFICIENCIES**

The regulatory institutions charged with AML supervision are weak and lack human resources and sufficient regulatory powers. Independent entities are not subject to any supervision, nor are other DNFBPs. The FIU lacks administrative power to enforce compliance with suspicious activity reporting requirements.

Information sharing between El Salvador and FinCEN, the U.S. FIU, was frozen in 2013, following an unauthorized disclosure of information by El Salvador's FIU. Politicization of the FIU was addressed following a change in administration at the Attorney General's office, but the FIU remains barred from accessing FinCEN, impeding the FIU's ability to investigate transactions with a U.S. nexus.

El Salvador maintains limited membership in the Egmont Group, due to the suspension of U.S. information sharing. Egmont continues to work with Salvadoran authorities to improve compliance.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Authorities are currently working on legislation to improve regulation of DNFBPs to better comply with CFATF commitments.

According to the Attorney General's office, authorities seized assets worth over U.S. \$17 million in 2017, while the specialized court finalized the forfeiture of more than U.S. \$3 million, including 129 vehicles and 70 real estate properties. The asset forfeiture legislation allows the

government to sell property seized in criminal investigations and redirect up to 35 percent of the revenue to the Attorney General's Office for anti-organized crime efforts.

The FIU brought money laundering charges against Jose Adan Salazar Umaña (also known as Chepe Diablo), seizing a major grain company, seven hotels, seven gas stations, and 13 residences tied to a U.S. \$215 million money laundering scheme.

El Salvador's major money laundering convictions to date relate to bulk cash smuggling and isolated transactions. The Attorney General's office recently lost a money laundering case where three individuals had approximately U.S. \$20 million in suspicious transactions.

## **Georgia**

### **OVERVIEW**

Much of the illegal income in Georgia derives from fraud, corruption, smuggling, tax evasion, and organized crime. There is a domestic market for illegal narcotics and narcotics also transit Georgia. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to AML monitoring.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. Georgia also should develop a task force approach, which will facilitate greater exchange of information and cooperation among the relevant bodies.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Illicit income is mainly generated from fraud-related crimes (scams, stolen banking cards, etc.) and cybercrime, either in Georgia or abroad. Social engineering schemes are used most commonly to commit mass marketing fraud. Narcotics trafficking by organized criminal groups operating mainly abroad can produce proceeds laundered in Georgia. In 2016, Georgian authorities reported seizing significant volumes of illicit drugs. Banking systems and money transfer services are the primary means to move funds, where Georgia acts as just one link in the chain. Georgian banking institutions are used to transfer funds from one jurisdiction to another, often under the pretense of false documents or trade information. Georgia's banks cater to non-resident depositors and many offshore companies.

The extent of black market trading in the occupied territories of Abkhazia and South Ossetia is unknown.

### **KEY AML LAWS AND REGULATIONS**

Georgia continues to implement its national AML/CFT Strategy and Action Plan that concentrate on terrorism financing criminalization, strengthening administrative mechanisms for targeted financial sanctions, and implementing preventive mechanisms.

Georgia's 2015 legislative amendments increase the power of the Financial Monitoring Service (FMS), Georgia's FIU, to suspend suspicious transactions temporarily; extend the reporting requirements to the cross-border transportation of cash, negotiable instruments, and securities through cargo containers and mail; increase sanctions for violation of the cross-border transportation of cash and securities rules; and strengthen the fit and proper criteria for owners and managers of gaming institutions.

In 2017, the FMS drafted a new AML/CFT bill that would overhaul the existing legal framework by implementing the 4th EU AML Directive (2015/849). The new law will strengthen CDD requirements for reporting institutions, including those related to ascertaining beneficial owners of legal entities and arrangements, such as trusts. The FMS is currently soliciting comments and suggestions and plans to submit the draft law for the government's consideration in the coming months.

Georgia implemented comprehensive KYC rules and STR regulations in compliance with international standards. According to the Georgian AML law and relevant bylaws, all transactions, including attempted transactions, shall be reported when there are reasonable grounds to believe that money laundering or a predicate offense is taking place. The FMS shares operational information with its colleagues on a regular basis. Georgia does not require a formal agreement or MOU to share information with Egmont Group member FIUs.

Georgia is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/georgia>.

### **AML DEFICIENCIES**

Enhanced due diligence (EDD) measures are applicable only to foreign PEPs. However, draft legislative amendments submitted for the government's consideration in May 2017 extend the requirement to apply EDD measures to domestic PEPs and the heads of international (intergovernmental) organizations.

The rapid growth of the gaming industry in Georgia and the corresponding lack of AML regulatory supervision are concerning. There are approximately 140 casinos in operation.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Governmental Commission on Implementation of United Nations Security Council Resolutions developed an AML/CFT national risk assessment tool. Georgia's first ever national money laundering and terrorism financing risk assessment (NRA) to identify relevant threats and vulnerabilities both at the national and sectorial levels is currently in progress. The NRA process will generate a report and an action plan to guide all future Georgian government efforts.

The strategy document of the prosecution service, adopted in February 2017, calls for an increase in the effectiveness of money laundering investigations and prosecutions, while focusing on the capacity development and skill-based training for prosecutors.

Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely include financial components. The Government of Georgia has not adopted a formal task force approach to money laundering; however, coordination and information sharing among various law enforcement and criminal justice agencies has improved. Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering.

Between January 1 and October 1, 2017, there were 31 money laundering prosecutions and eight convictions.

## **Ghana**

### **OVERVIEW**

Ghana's President Akufo-Addo came to power in January 2017, having campaigned on a largely anti-corruption platform that raised awareness and popular expectations around issues of money laundering and financial crime. Romance scams, advance-fee-fraud, and other related fraud schemes remain the most prevalent forms of financial crime in Ghana, and there were reports of an increase in money laundering activities in the country. Money laundering is linked to proceeds of narcotics trafficking, fraud, and public corruption. Ghana's AML laws largely comply with international standards but are weakly and sporadically enforced. Ghana should invest in more capacity and funding for entities mandated to enforce existing laws. Apart from lack of enforcement, ineffective customer due diligence or KYC identification by most DNFBPs remains a major vulnerability in Ghana's AML regime.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Ghana's main vulnerability remains enforcement of existing laws. Financial crimes are prosecuted by state attorneys from the Attorney General's Office and by police prosecutors who are not attorneys. There are no certified financial crime investigators trained in asset forfeiture in Ghana. While several state attorneys received general training in financial crime prosecution, only a few have specialized AML training, leaving most law enforcement officials without the complex skills and equipment required to investigate money laundering and financial crimes. DNFBPs, such as real estate agencies, legal professionals, trust and company service providers, precious metal dealers, and casinos, have few, if any, industry guidelines on AML. As of October 2017, Ghana's Financial Intelligence Centre (FIC), its FIU, reported that not one casino has filed a SAR to indicate potential financial crime. Also, six different governmental authorities issue national identification cards, each with their own policies and regulations. Cards are easily confused, forged, or fraudulently issued, facilitating identity theft as a precursor to financial crime.

Banks in Ghana do not provide offshore banking services. Ghana has designated four FTZ areas, but only one, the Tema Export Processing Zone, is active. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods. They must

export at least 70 percent of their output. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies.

### **KEY AML LAWS AND REGULATIONS**

The Anti-Money Laundering Act of 2008 (Act 179), its Amendment in 2014 (Act 874), and the 2016 amendment of the Ghana's Companies Act, 1963 (Act 179) form Ghana's regulatory framework to prosecute money laundering and financial crimes. In March, President Akufo-Addo directed the Attorney General to initiate measures to amend the Criminal Offenses Act, 1960 (Act 29) to upgrade financial corruption crimes from a misdemeanor to a felony. As of December 2017, this amendment has not been ratified.

On November 14, 2017, Parliament passed a bill that includes a fairly robust asset forfeiture regime and creates a Special Prosecutor (SP) for corruption-related offenses. The new law allows the Attorney General to delegate corruption cases to the SP. The degree of independence the SP will actually have remains to be seen, although some safeguards to protect the SP's independence are included in the final version of the law.

Ghana should maintain its strong legal framework and strengthen implementation of legislation as it relates to AML. Following completion of a national risk assessment, the government established an Inter-Ministerial Committee to increase collaboration among the Ghana Revenue Authority, Financial Forensic Unit of the Criminal Investigation Department, and FIC to enhance interagency transparency and communications to fight financial crime and is developing an action plan to mitigate identified issues.

Ghana is a member of the GIABA, a FATF-style regional body. Ghana's most recent MER is not available electronically.

### **AML DEFICIENCIES**

Although the constitution requires PEPs to declare assets, there is no penalty for failing to comply with regulations, nor can contents of their declaration be made public, except as the result of a criminal proceeding.

Bulk cash smuggling remains a popular way to launder proceeds of crime. In September 2017, the head of the FIC, a skilled technocrat and collaborative partner, was abruptly dismissed, without an official explanation. The sudden replacement of such a close partner has stalled international cooperation and raised doubts about the government's motivations.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Ghana is not subject to any U.S. or international sanctions or penalties.

Beginning in June 2017, the Economic and Organized Crime Office (EOCO) and FIC, with donor assistance, increased the number of financial crimes investigations they are conducting. However, law enforcement agencies still lack the robust capability to conduct surveillance

operations, hampering their ability to investigate significant financial crimes. Agencies lack specialized training and standardized procedures, impeding their ability to adequately prepare investigations for prosecution. Ghana's legal framework should be further strengthened to effectively address complex financial crimes.

Ghana and the United States do not have a MLAT, but records can be exchanged through other mechanisms such as the Egmont Group. Ghana is party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. Moreover, mutual legal assistance can be provided on a reciprocal basis through letters of request. Extradition between Ghana and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty.

## **Guatemala**

### **OVERVIEW**

Guatemala 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 arms trafficking is increasingly linked to the narcotics trade.

Guatemala continues to make incremental progress in its ability to investigate and prosecute money laundering and other financial crimes. However, vulnerabilities remain due to a lack of complete coordination by the Public Ministry (PM) prosecutors and the tendency of authorities not to conduct financial investigations that could lead to money laundering charges when investigating extortion, corruption, or trafficking offenses.

Guatemala needs to take additional steps to improve the effectiveness of its AML regime, including improving communications and coordination among the agencies with AML responsibilities, developing capacity and coordination within the PM, and instituting greater autonomy for the National Secretariat for Administration of Forfeited Property (SENABED), the entity in charge of administering seized assets.

To improve efficiencies and maximize the effectiveness of a solid legal framework to address AML issues, Guatemala should continue to use vetting and corruption investigations to weed out those elements that hinder trust within and among relevant agencies.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Drug trafficking is a major source of illicit funds. Other sources include corruption, extortion, human trafficking, commerce of other illicit goods, and tax evasion. Money is laundered primarily through real estate, ranching, and the gaming industry. It is also laundered through a series of small transactions below the U.S. \$10,000 reporting requirement, either in small banks along the Guatemala-Mexico border, or by travelers carrying cash to other countries. Guatemala does not currently prohibit structuring of deposits to avoid reporting requirements.

While authorities are increasingly effective in conducting investigations of financial crimes, Guatemalan investigations still face political headwinds with rampant corruption at all levels of government. Improved transparency, increased professionalism, and ongoing efforts to investigate and eliminate corruption are making a difference.

There is a category of “offshore” banks in Guatemala in which the customers’ money is legally considered to be deposited in the foreign country where the bank is headquartered. These “offshore” banks are subject to the same AML regulations as local banks.

Guatemala has 14 active FTZs. FTZs are mainly used to import duty-free goods utilized in the manufacturing of products or provision of services for exportation, and there are no known cases or allegations that indicate FTZs are hubs of money laundering or drug trafficking activity.

The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders. As a result of this agreement, Guatemalan customs officials are not requiring travelers crossing their land border to report cash in amounts greater than U.S. \$10,000, as required by law.

### **KEY AML LAWS AND REGULATIONS**

Guatemala has a solid AML legal framework. However, the KYC and STR regulations are ineffective as they lack an emphasis on coordination and cooperation by relevant government agencies.

Guatemala and the United States do not have a MLAT. Other mechanisms such as multilateral treaties are used to seek and provide mutual legal assistance.

Guatemala is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/4th-round-meval-reports/7462-guatemala-4th-round-mer/file>.

### **AML DEFICIENCIES**

While Guatemala does exercise enhanced due diligence for PEPs, there are other deficiencies, including a lack of regulatory coverage of DNFBPs, such as notaries, attorneys, casinos, and video lotteries. In particular, casinos are an area in which stronger legislation is necessary. Casinos are currently unregulated and a number of casinos and games of chance operate, both onshore and offshore.

Guatemala needs to deal with several coordination issues, including improving communications between the Special Verification Agency (IVE), Guatemala’s FIU, and the PM; developing more internal capacity for financial crime investigations by the PM; increasing coordination among different financial supervision entities, including the IVE and other parts of the Superintendent of Banking; institutionalizing coordination between the PM and the SENABED; and increasing the autonomy of the SENABED. Additionally, chronic understaffing at relevant agencies must be addressed.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although the strengths of the IVE and its ability to investigate money laundering are noted and the legal framework is generally adequate, certain procedural challenges limit the efficiency of the IVE and the PM, including a shortage of professional staff to adequately address the demand for investigation and analysis. There is also a lack of collaboration and cooperation among offices in the PM, at times even within offices, resulting from a lack of trust and rampant societal corruption. Because of this lack of cooperation, there is no effort to integrate prosecutions of related crimes for a single subject.

In the nine month period ending September 30, 2017, the PM office in charge of money laundering prosecutions received 234 accusations, filed charges in 133 cases, and obtained 72 convictions.

## **Guinea-Bissau**

### **OVERVIEW**

Chronic political instability and government dysfunction have meant the Bissau-Guinean authorities have made little headway in fighting narcotics trafficking, money laundering, or other crimes. However, in 2016, the resumption of direct budget support by multilateral institutions has led to greater consistency in payment of salaries for the law enforcement and judicial systems.

The Bijagos Archipelago and the extensive riverine geography of the coastline continue to make the country a transshipment center for drugs. Although the government has taken steps to exert more oversight of military spending, civilian control is still lacking. Narcotics traffickers continue to take advantage of Guinea-Bissau's remoteness, poverty, unemployment, political malaise, and lack of effective customs and law enforcement to route drugs through the country to European markets. Drug traffickers have been able to infiltrate state structures and often operate with impunity.

Underscoring the extent of complicity with drug trafficking at the highest levels of the government and armed forces, former Navy Chief of Staff Admiral Jose Americo Bubo Na Tchuto was arrested by the U.S. Drug Enforcement Administration in 2013; on his release from prison and return to Guinea-Bissau in November 2016, then-Prime Minister Baciro Dja welcomed Na Tchuto as a "hero of the revolution." Both Na Tchuto and Guinea-Bissau's Air Force Chief of Staff Ibraima Papa Camara were designated as drug kingpins by the U.S. Department of the Treasury in 2010 for their roles in narcotics trafficking. Camara remains in his position as Air Force Chief of Staff, despite this designation.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Despite some reforms, state institutions remain largely ineffective and uncoordinated. Corruption is a normal practice throughout government and society, and the judiciary has reportedly demonstrated a lack of integrity. Many government offices, including the justice ministry, lack the basic resources, such as electricity, required to function.

The major sources of illicit funds are drug trafficking, illegal logging, and corruption. Real estate and investment in legitimate businesses serve as the most common forms of laundering. There is no historical record of investigations, prosecutions, or convictions for the offense of money laundering.

### **KEY AML LAWS AND REGULATIONS**

The Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU), has been adopted by Guinea-Bissau, but its publication has been pending for several years; thus, the law is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of CDD procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. Government authorities have approved an AML/CFT strategy but cannot obtain parliamentary approval due to political dysfunction over the last year.

Although Guinea-Bissau is a party to the 1988 UN Drug Convention, no mechanism exists for the exchange of records in connection with narcotics investigations or proceedings, and it is unclear if there are legal rules to allow U.S. and other governments' officials access to such records.

Guinea-Bissau is a member of the GIABA, a FATF-style regional body. Its most recent MER is not available electronically.

### **AML DEFICIENCIES**

Guinea-Bissau is not in full compliance with international standards and accords against money laundering because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The jurisdiction is currently considering ways to address deficiencies, but the instability of the government has hindered any progress.

The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised. The FIU is only partially functional, owing in part to the lack of resources, analytical staff, and technical equipment, among other issues.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The woefully inadequate police and judicial systems make serious enforcement of AML laws difficult. However, the FIU reported seven STRs and two CTRs between October 2016 and September 2017. One money laundering case associated with public sector corruption was prosecuted and led to a conviction in 2017. The United States and Guinea-Bissau do not have an extradition treaty or MLAT. Guinea-Bissau is a party to multilateral conventions that provide for mutual legal assistance.

## **Guyana**

### **OVERVIEW**

Guyana is a transit country for South American cocaine destined for Europe, the United States, Canada, and the Caribbean. Cocaine is concealed in legitimate commodities and smuggled via commercial maritime vessels, air transport, human couriers, or the postal services. Traffickers are attracted to Guyana's remote airstrips, porous land borders, and weak security infrastructure. Largely unregulated currency exchange houses, used to transfer funds to and from the diaspora, pose a risk to Guyana's AML regime. Guyana has made much progress on the AML front, but more training, education, and resources are needed in the future.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Narcotics trafficking and government corruption are the primary sources of laundered funds. However, other illicit activities, such as human trafficking, illicit gold mining, contraband, and tax evasion, are also sources. Common money laundering typologies include: fake agreements of sale for precious minerals used to support large cash deposits at financial institutions; cross-border transport of volumes of precious metals small enough to avoid scrutiny by relevant officials and the payment of the relevant taxes and duties; and using middle-aged and elderly couriers for cross-border transport of large sums of U.S. dollars.

The major agencies involved in anti-drug and money laundering efforts are the Guyana Police Force (GPF), Guyana Revenue Authority, the Customs Anti-Narcotics Unit, the Special Organized Crimes Unit (SOCU), the Bank of Guyana, the Ministry of Finance, the Financial Intelligence Unit (FIU), and the National Anti-Narcotic Agency. The investigative effectiveness of these agencies is limited due to inadequate human resources, insufficient training, and a lack of strong interagency cooperation. The business community's lack of cooperation also hinders Guyana's AML efforts.

Guyana does not have free-trade zones or offshore financial centers. Guyana has one casino.

### **KEY AML LAWS AND REGULATIONS**

Guyana approved the Anti-Money Laundering and Countering the Financing of Terrorism Regulations 2015; amendments to the AML/CFT Act in 2015, 2016, and 2017; and Guidelines on Targeted Financial Sanctions 2015.

The Government of Guyana's Anti-Money Laundering and Countering the Financing of Terrorism Act of 2009, Interception of Communications Act of 2008, and Criminal Law Procedure Act are designed to enhance the investigative capabilities of law enforcement authorities and prosecutors. There is also a records exchange mechanism in place with the United States. Guyana has comprehensive KYC and STR regulations.

Guyana is a member of CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/guyana>.

### **AML DEFICIENCIES**

Guyana's AML regime extends to legal persons and provides for enhanced due diligence for PEPs.

Guyana applied for Egmont Group membership in 2011 and, in 2012, received two sponsors. Guyana's Egmont application is still pending due to new sponsor requirements, and the government is working with regional representatives to identify new sponsors who meet the requirements.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Guyana ratified the 1988 UN Drug Convention by enacting the Narcotic Drug and Psychotropic Substances (Control) Act of 1988.

The AML/CFT legislation gives the FIU investigative authority into alleged money laundering. In May 2017, the FIU completed its risk assessment and action plan, which guides the government's national AML strategy. In July 2017, the FIU purchased software to detect illegal financial activities and is in the process of hiring a financial analyst and a legal advisor.

The FIU refers cases to the SOCU, an arm of the GPF, for investigation and has submitted 11 money laundering reports to date. SOCU has launched an investigation of the Guyana Gold Board's involvement in money laundering for a gold dealer arrested in April and an investigation into a hotel and potential casino operator, whose Surinamese partner was jailed in the Netherlands for money laundering in 2006. In 2017, the government hosted an AML seminar to inform local reporting entities of their obligations and responsibilities under the AML regime.

Guyana has made great progress on the AML front but should continue to provide training to increase awareness and understanding of AML laws within the judiciary and agencies with investigative authority for financial crimes. Suspicious activity reporting, wire transfers, and customer due diligence regulations should be strengthened and additional resources given to the FIU and SOCU. Reporting and investigating entities should improve their inter-agency coordination in the future.

## Haiti

### **OVERVIEW**

Haitian gangs are engaged in international drug trafficking and other criminal and fraudulent activity. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Much of the drug trafficking in Haiti, and related money laundering, is connected to the United States. Important legislation was adopted over the past several years, in particular anti-corruption and AML laws, but the weakness of the Haitian judicial system, impunity, and a lack of political will leaves the country vulnerable to corruption and money laundering.

On June 8, 2016, the CFATF issued a public statement asking its members to consider the risks arising from the deficiencies in Haiti's AML/CFT regime. The statement followed CFATF's acknowledgement that, although Haiti had made improvements in non-legislative areas, it had not made sufficient progress to fulfill its action plan to address its serious AML deficiencies, including legislative reforms. On November 15, 2017, while noting Haiti's continued progress, the CFATF reaffirmed its stance and encouraged Haiti to increase the pace of its reforms and to take steps to address its remaining deficiencies.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Most of the identified money laundering schemes involve significant amounts of U.S. currency held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A great majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud.

Haiti has nine operational FTZs. FTZs are licensed and regulated by the Free Zones National Council, a public-private enterprise. It is unknown if FTZs are subject to AML obligations. Haiti has 157 licensed casinos and many unlicensed casinos. Gaming entities are subject to AML requirements. Haiti also has established the Haitian State Lottery under the auspices of the Ministry of Economy and Finance. Online gaming is illegal.

### **KEY AML LAWS AND REGULATIONS**

Amendments in 2016 further strengthened Haiti's 2013 AML legislation. In 2014, the Executive signed a long-delayed anti-corruption bill. Foreign currencies represent 63 percent of Haiti's bank deposits as of October 2016.

To avoid potential CFATF sanctions, the government adopted a new law in May 2017 that restructures the Central Financial Intelligence Unit (UCREF), the FIU.

Haiti is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>.

### **AML DEFICIENCIES**

The weaknesses of the Haitian judicial system and prosecutorial mechanisms continue to leave the country vulnerable to corruption and money laundering. Haiti is not a member of the Egmont Group, but is currently working with sponsors and applying for membership.

The government remains hampered by ineffective and outdated criminal codes and criminal procedural codes, and by the inability or unwillingness of judges and courts to address cases referred for prosecution. Proposed criminal codes and criminal procedural codes that would address deficiencies were drafted in 2016 but have not been considered by the National Assembly.

The government should continue to devote resources to building an effective AML regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The amended AML/CFT law, despite strengthening the AML regulatory framework, undermines the independence and effectiveness of Haiti's FIU.

Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments. Casinos and other forms of gaming should be better regulated and monitored. The Government of Haiti should take steps to combat pervasive corruption at all levels of government.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The government continues to take steps, such as training staff and coordinating with the nation's banks, to implement a better AML regime. In 2016, the National Assembly added missing elements to the AML/CFT law to bring it up to international standards. For Haiti to fully comply, however, the criminal code will have to be updated.

After years of delay, in a positive step to try to address public corruption, Haiti passed the 2014 anti-corruption law. However, the law is not being effectively implemented, as evidenced by frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the Executive, and the failure of judges to follow through by investigating, scheduling, and referring cases to prosecutors.

The UCREF has continued to build its internal capabilities, but the May 2017 UCREF law led to the replacement of the UCREF Director General and the movement of UCREF under the control of the Executive branch, thereby reducing the UCREF's independence. The UCREF forwarded six cases to the judiciary in 2016, but no cases in 2017. Once a case is received, an investigating judge has two months from the arrest date 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. There were no convictions or prosecutions for money laundering in 2017.

## **Honduras**

### **OVERVIEW**

Honduras is not a regional or offshore financial center. Money laundering in Honduras continues to stem primarily from significant narcotics trafficking throughout the region, especially by organized crime groups. Human smuggling, extortion, arms smuggling, kidnapping, and public corruption also generate significant amounts of laundered proceeds. Human smuggling fees are regularly paid to smugglers via MSBs.

Honduras still needs to complete implementation of the 2015 revisions to the AML law. During 2017, the National Banking and Insurance Commission (CNBS) began registering some DNFBPs. In 2015, Honduras adopted a national risk assessment (NRA) for money laundering and terrorist financing. Honduras does not have a national AML strategy, but has focused on certain high priority offenses, such as money laundering linked to organized crime. Additionally, the FIU needs to improve its capacity to recognize and deal with complex financial crimes and the analysis of financial intelligence. Honduras, in general, lacks adequate resources but is improving its capability to conduct complex financial investigations and pursue forfeiture actions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering in Honduras derives from both domestic and foreign criminal activity. The majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. A significant amount of laundered proceeds passes directly through the formal banking system. Law enforcement has detected large-scale money laundering activities in the automobile and real estate sectors. Money laundering activities have also been identified in remittance companies, currency exchange houses, the construction sector, and trade-based businesses.

The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of citizens of these countries across their respective borders without visas; however, citizens can be subject to immigration or customs inspections. The agreement represents a vulnerability of each country for the cross-border movement of contraband and proceeds of crime.

The country's lack of resources and capacity to effectively and efficiently investigate and analyze complex financial transactions, when combined with corruption within government institutions, continues to contribute to a favorable climate for significant money laundering.

### **KEY AML LAWS AND REGULATIONS**

Effective May 28, 2016, the CNBS issued implementing regulations for the 2015 reforms to the AML law; however, additional regulations are necessary to gain full implementation. Honduras has comprehensive KYC and STR regulations. Honduras can exchange information in

connection with narcotics investigations and proceedings with the United States under appropriate treaties and conventions.

On May 29, 2017, the CNBS published Circular CNBS No. 014/2017, Minimum Requirements for a Compliance Program for Obligated Entities. The Circular provides guidance to all covered entities on how to detect AML risks and how to develop AML internal procedures and policies.

On June 2, 2017, the CNBS informed the first group of DNFBPs that they had until August 15 to register with CNBS. This group includes those delivering mail, stock, money, and other items; casinos, lotteries, bingos, and other gaming services or establishments; entities involved in the sale, rent, or lease of vehicles, boats, or airplanes; and providers of armored cars or in-home safe-rooms.

Honduras is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/GAFILAT-MER-Honduras-2016-English.pdf>.

### **AML DEFICIENCIES**

Honduras lacks a formal, comprehensive national AML/CFT strategy.

Honduras is taking steps to implement a new risk-based focus and has conducted a NRA, which it should make public and communicate to the private sector. AML obligations are new to the non-financial sector and outreach should be conducted, supervision enhanced, and sanctions issued, where appropriate. CNBS is drafting internal policies and regulations required for the implementation of the AML revisions.

Bearer shares are still legal in Honduras and there is no access to quality beneficial ownership information for Honduran companies; both factors present significant money laundering challenges.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

FIU staff continue to require training on a number of topics including the financial products available at financial institutions, international standards, analysis of financial data, report writing, relevant Honduran laws, and the analysis of STRs and CTRs. The FIU needs to develop mechanisms that can be used to provide feedback to the regulated entities on filed reports so that submissions contain complete and accurate information. Key players within relevant law enforcement agencies and key agencies should seek better coordination. Honduras is working to create a task force to review submitted STRs.

Although the Public Records Office has initiated a digitalization process of its files at a national level, most of the country's public property records are not digitized and poorly organized. This situation jeopardizes investigations by adding time and increased expenses for one of the most basic aspects of any financial investigation - property searches.

In 2016, the Presidents of Honduras, Guatemala, and El Salvador signed an agreement to jointly fight against organized crime in the region. Under the agreement, the countries formed a tri-national force to fight gang crime. In 2017, the three countries, in coordination with law enforcement in the United States, executed Operation Regional Shield against the MS-13 gang. The countries also have created multiagency groups that will work on the borders of the Northern Triangle.

## **Hong Kong**

### **OVERVIEW**

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 31, 2016, Hong Kong's stock market was the world's seventh largest, with U.S. \$3.2 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 continues its expansion as the primary offshore renminbi (RMB) financing center, accumulating the equivalent of over U.S. \$79.9 billion in RMB-denominated deposits at authorized institutions as of August 2017. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes. Hong Kong has its own U.S. dollar interbank clearing system for settling transactions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The groups involved in money laundering range from local street organizations to sophisticated international syndicates, including Asian triads involved in assorted criminal activities, including drug trafficking.

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 TBML and underground finance. Hong Kong shell companies can be exploited by a variety of illicit actors and have been used by the sanctioned regime in North Korea to launder money and gain access to the international financial system.

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 gaming 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 gaming, loan sharking, smuggling, and vice.

### **KEY AML LAWS AND REGULATIONS**

Hong Kong has AML legislation allowing the tracing and confiscating of proceeds derived from drug-trafficking (Drug Trafficking (Recovery of Proceeds) Ordinance) and organized crime

(Organized and Serious Crimes Ordinance). These two ordinances improved detection capabilities to identify drug traffickers and other criminals that use Hong Kong financial institutions to launder or retain their illicit profits. Hong Kong also enacted the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) for supervising authorized institutions' compliance with the legal and supervisory requirements.

Under the AMLO, where payment-related information is exchanged or intended to be exchanged, authorized institutions need to carry out CDD procedures. Furthermore, the AMLO Guideline and the Hong Kong Monetary Authority's (HKMA) Transactions Guidance Paper provide substantial practical guidance on filing STRs. The guideline indicates that, where knowledge or suspicion arises, an STR should be filed in a timely manner with the Joint Financial Intelligence Unit, Hong Kong's FIU, which is jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department.

In February 2016, the Hong Kong Association of Banks, in collaboration with the HKMA, published the Guidance Paper on Combating Trade-based Money Laundering in order to implement effective measures to further mitigate authorized institutions' money laundering risks.

The Hong Kong Government introduced in June 2017 to the Legislative Council (LegCo) two bills, one of which would amend the AMLO, and one of which would amend the Company Ordinance. The first amendment would apply statutory CDD and record-keeping requirements to DNFBPs when they engage in specified transactions; the second would require companies incorporated in Hong Kong to maintain beneficial ownership information. The bills remain under discussion at the LegCo.

In June 2017, the LegCo passed a bill that aims to establish a declaration and disclosure system to detect the movement of large quantities of physical currency and bearer negotiable instruments (valued over approximately U.S. \$15,400 (HKD120,000)) into and out of Hong Kong. It is unclear when the new rules will come into operation as the Secretary for Security must determine a date on which the bill comes into force.

Hong Kong is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER can be found at:

<http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofhongkongchina.html>.

### **AML DEFICIENCIES**

Until the Secretary for Security designates an effective date for the new legislation, Hong Kong still lacks a system to detect the physical cross-border transportation of currency and bearer negotiable instruments.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Over the last two years, financial regulators, most notably the HKMA, conducted extensive outreach, including at the highest corporate levels, to stress the importance of robust AML

controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the AMLO.

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 agreements, as China is responsible for Hong Kong's international affairs. China may extend the application of any ratified agreement or convention to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997, and the UNCAC and UNTOC were extended to Hong Kong in 2006.

From January 1 through August 31, 2017, there were 55 money laundering convictions. Assets restrained under the money laundering and asset confiscation laws totaled U.S. \$3.2 million.

## **India**

### **OVERVIEW**

Indian Prime Minister Modi has prioritized curtailing illicit financial activity gains, termed “black money.” As his administration carries out efforts to formalize and digitize India's financial system, India faces various money laundering vulnerabilities, including informal financing networks that largely serve illiterate, rural citizens; complex onshore and offshore corporate structures; and enforcement capacity constraints. It remains too early to determine whether the government's “demonetization” of 86 percent of Indian cash ensnared tax-evaders and money launderers or enabled illicit gains to formally enter the system, as investigations are ongoing.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Laundered funds are derived from tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade. The most common money laundering methods include opening multiple bank accounts to hide funds, intermingling criminal proceeds with licit assets, purchasing bank checks with cash, routing funds through employees' accounts, or using complex legal structures. Illicit funds are laundered through real estate, gold purchases, educational programs, charities, and election campaigns. Transnational criminal organizations use offshore corporations and TBML to disguise the criminal origins of funds, and companies use TBML to evade capital controls. India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs). As of March 2015, there were 202 operating SEZs, and 413 approved, but not yet operational, SEZs. Customs officers control access to the SEZs. OBUs have defined physical boundaries and functional limits, are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML regulations as the domestic sector.

### **KEY AML LAWS AND REGULATIONS**

In November 2016, the Reserve Bank of India (RBI) demonetized INR 500 and INR 1,000 notes to crack down on “black money.” An August 31, 2017 RBI report stated 99 percent of demonetized cash was deposited in legitimate bank accounts, leading analysts to question if the exercise enabled criminals to launder money into the banking system. Digital transactions increased due to demonetization, as mobile banking inclusion jumped from 40 percent to 60 percent of the populace. On August 7, 2017, the Securities and Exchange Board of India (SEBI) directed stock exchanges to restrict trading by and audit 331 suspected shell companies following their large cash deposits during demonetization. Investigations continue. The Registrar of Companies also de-registered over 200,000 inactive companies while also barring over 300,000 directors of these companies from being appointed as directors of other companies for five years.

On July 7, 2017, SEBI banned foreign portfolio investors (FPIs) from issuing offshore derivative instruments or participatory notes, except for issuances of derivatives for hedging. The share of participatory notes in FPI assets halved to 4.1 percent in a year, far from their peak of 55.7 percent in 2007.

The government mandated that all bank account holders must link their biometric identifications (*Aadhaar*) to accounts by March 31, 2018, and that banks check the identifications for those conducting large cash transactions. However, the mandate to link biometric information is being challenged in Indian courts as a violation of individual privacy. India has comprehensive KYC and STR requirements and uses enhanced due diligence for PEPs.

Virtual/digital currencies are not recognized by any authority in India, but the Finance Ministry constituted a committee to establish a virtual currencies regulatory framework.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. India’s most recent MER can be found at: <http://www.fatf-gafi.org/countries/d-i/india/>.

### **AML DEFICIENCIES**

India’s current safe harbor provision protects principal officers and compliance officers of institutions that file STRs in good faith, but does not protect all employees. The government prioritizes crimes of tax evasion and counterfeit currency, while AML is a lower priority.

India is not subject to U.S. sanctions or penalties, although some banks are currently being penalized for illegal activities of their Indian branches.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

India has taken steps to implement an effective AML regime, but deficiencies remain, including concerns about effective implementation and enforcement of current laws, especially with regard to criminal prosecutions. Authorities believe India has insufficient investigators to analyze the volume of data discovered during demonetization. India is investigating 1.8 million bank accounts and 200 individuals associated with unusual deposits during demonetization, and banks’ STRs quadrupled in 2016.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. A lack of Indian follow-through on investigative leads has prevented a comprehensive offensive against violators and related groups. The United States and India have extradition and mutual legal assistance treaties. India is demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges that limit its ability to provide assistance or extradition.

India should address noted shortcomings in the criminalization of money laundering and in its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations and should extend its safe harbor provision to cover all employees. The government of India should use data and analytics to systematically detect trade anomalies that could indicate customs fraud, TBML, and counter-valuation in informal financial networks.

## **Indonesia**

### **OVERVIEW**

While not a major regional financial center, Indonesia remains vulnerable to money laundering due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Most money laundering in Indonesia is connected to drug trafficking and other criminal activity such as corruption, tax crimes, illegal logging, wildlife trafficking, theft, bank fraud, embezzlement, credit card fraud, and the sale of counterfeit goods.

Indonesia is making progress in identifying and addressing money laundering vulnerabilities. Authorities continue to release regulations geared toward a risk-based approach to fighting money laundering. The primary areas for improvement are greater analytical training for law enforcement, judicial authorities' awareness of the money laundering offense, increased capacity and focus by investigators and prosecutors on conducting financial investigations as a routine component of criminal cases, and more education for workers in the financial services sector.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Indonesia has a long history of being vulnerable to smuggling of illicit goods and bulk cash, made easier by unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated for commercial and personal use. Endemic corruption remains concerning and challenging for AML regime implementation.

FTZs are not a particular concern for money laundering in Indonesia. Indonesia offers many opportunities for narcotics smuggling and cross-border transfer of illegally earned cash without needing to rely on FTZs. The primary factors hindering the fight against narcotics-related money laundering are the lack of analytical training for law enforcement personnel, and

insufficient training on money laundering detection and reporting for lower-level workers in the financial services sector.

### **KEY AML LAWS AND REGULATIONS**

In 2015 Indonesia conducted a national risk assessment, concluding that narcotics, corruption, and tax crime are the most common predicate crimes for domestic money laundering. KYC requirements have been part of Indonesia's AML regime since 2001, and PEPs are subject to enhanced due diligence.

In January 2012, the Indonesian government established an interagency National Coordinating Committee on the Prevention and Combating of Money Laundering (AML Committee) to coordinate Indonesia's AML efforts. The Coordinating Minister for Political, Legal, and Security Affairs chairs the Committee; the Deputy Coordinating Minister for Economic Affairs and the Head of Indonesia's FIU, the Indonesian Financial Transaction Reports and Analysis Center (PPATK), serve as Committee secretaries.

PPATK coordinates Indonesia's AML/CFT efforts and programs. It reports directly to the president and submits implementation reports every six months to the president and legislature. Much of PPATK's AML activities are tied into its efforts to identify and combat terrorist financing.

In May 2017, President Joko Widodo issued Government Regulation in Lieu of Law No. 1 of 2017 Concerning Access to Financial Information for Tax Interests. The executive order permits Indonesian tax authorities to access financial accountholder data without a court order. It gives Indonesian authorities legal protection to exchange accountholder data under the Automatic Exchange of Information (AEOI). The exchange of information between relevant jurisdictions will begin in 2019.

Indonesia is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>.

### **AML DEFICIENCIES**

The main deficiencies in Indonesia's AML regime are lack of law enforcement expertise and insufficient knowledge of reporting requirements by lower-level bank officials. Indonesia is not subject to U.S. or international sanctions for money laundering.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Indonesia is taking steps to implement the 1988 UN Drug Convention and other applicable agreements and conventions. Combating narcotics abuse is a priority for the current administration. Indonesia recognizes the need for international cooperation to stem this transnational threat.

PPATK publishes a monthly report summarizing reporting activity. In addition to CTRs and STRs, PPATK and the Ministry of Finance's Directorate General of Customs and Excise jointly publish a Cash Carry Report to track physical cross-border transfers of cash. PPATK also invites the public to report any suspicious transactions. PPATK refers both Analysis STRs (reports that follow up on the initial notifications provided by financial institutions) and Examination Reports (the final assessment after full analysis and evaluation of an STR) to investigators. Referrals of both types of reports continued to increase in 2017, compared to prior years. Most of the Analysis STRs involved alleged corruption cases. The Indonesian government lacks sufficient practices or procedures to collect high-quality prosecution and conviction statistics.

There were no money laundering convictions for the period January-October 2017.

## Iran

### OVERVIEW

On October 13, 2017, the United States announced its new comprehensive Iran strategy that aims to neutralize and counter the full range of threats the Government of Iran poses to the international community, particularly those posed by the Islamic Revolutionary Guard Corps.

Iran has a large underground economy, spurred by uneven taxation, widespread smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. There is also pervasive corruption within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises. Although Iran is not currently a financial hub, with the lifting of nuclear-related sanctions against Iran under the Joint Comprehensive Plan of Action (JCPOA) in 2016, Iran could expand its regional financial significance.

Iran remains a major transit route for opiates smuggled from Afghanistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or transport to consumers in Russia and Europe. Most drugs are smuggled into Iran across its land borders with Afghanistan and Pakistan, although maritime smuggling has increased.

On November 21, 2011, the U.S. government identified Iran as a jurisdiction of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF has repeatedly warned of the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

Iran's merchant community makes active use of MVTs, including hawaladars (*sarrafi* in Persian) and moneylenders. Leveraging the worldwide hawala network, Iranians are able to easily, securely, and inexpensively make both legitimate and illegitimate money transfers to Europe, North America, and beyond. Counter-valuation in hawala transactions is often accomplished via trade; thus TBML is a prevalent form of money laundering. Many hawala

owners and the traditional Iranian merchant class have ties to the regional financial hub of Dubai. As many as 350,000 Iranians reside in the United Arab Emirates (UAE), with up to 50,000 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the UAE, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds.

In 1984, the U.S. Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia.

### **KEY AML LAWS AND REGULATIONS**

Iran has criminalized money laundering and has adopted KYC and STR requirements.

Iran has a declaration system for the cross-border transportation of currency, but whether it is compliant with international standards or is being enforced is unknown. As of April 2017, Iran introduced a new declaration directive, but it is not clear whether Iran has started effectively implementing the directive at all borders/airports. Iran stated that it plans to amend the directive.

Iran is not yet a member of either a FATF-style regional body or the Egmont Group.

### **AML DEFICIENCIES**

In October 2007, the FATF issued its first Public Statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the risks emanating from Iran and to protect their correspondent relationships from being used to bypass or evade countermeasures or risk mitigation practices. As a result of Iran's June 2016 high-level commitment to implement an action plan to address its strategic AML/CFT deficiencies, the FATF continued to include Iran on its Public Statement, but suspended its call for countermeasures for 12 months while Iran implemented its action plan. In light of steps taken by Iran, the FATF decided twice to continue the suspension of countermeasures and urged Iran to continue making progress. Deadlines for completion of action plan items expire in January 2018. Iran must, among other things, pass amendments to its AML Law and ratify the UNTOC.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

For nearly two decades, the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals that include legislation and more than a dozen Executive Orders (E.O.s). One noteworthy action taken against Iran includes designating one state-owned Iranian bank (Bank Saderat and its foreign operations), designated for funneling money to terrorist organizations (E.O. 13224).

Although U.S. nuclear-related secondary sanctions against Iran were lifted on JCPOA Implementation Day in January 2016, the United States continues to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, ballistic missile activities, and

human rights abuses. Thus, post-JCPOA Implementation Day, more than 200 Iran-related persons and entities remain on the U.S. Department of the Treasury's List of Designated Nationals. Additionally, the United States' new Iran strategy seeks to comprehensively address the threats posed by Iran.

Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

## **Italy**

### **OVERVIEW**

Italy's economy is the eighth-largest in the world and the third-largest in the Eurozone. Italy has a sophisticated AML regime and legal framework, but a continued risk of money laundering stems from activities associated with organized crime. Numerous reports by Italian NGOs identify domestic organized crime as one of Italy's largest enterprises. Tax crimes also represent a significant risk and have been identified by Italy's national risk assessment (NRA) as accounting for 75 percent of all proceeds-generating crime in Italy. While on the rise, CDD and reporting remain weak among non-financial sectors, and regulations are inconsistent.

The Government of Italy continues to combat sources of money laundering. The current government has undertaken reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing and robust.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Drug trafficking is a primary source of income for Italy's organized crime groups, which exploit Italy's strategic geographic location to do business with foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gaming, illegally disposing of hazardous waste, and loan sharking. Italian authorities have strong policy cooperation and coordination, and Italy continues to develop national AML policies informed by the NRA. Law enforcement agencies have been successful in undertaking complex financial investigations and prosecutions and have confiscated large amounts of criminal proceeds.

### **KEY AML LAWS AND REGULATIONS**

The Ministry of Economy and Finance is host to the Financial Security Directorate, which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's most recent NRA in July 2014. The Bank of Italy (BOI) is home to the Financial Information Unit (UIF), Italy's FIU, which is the government's main mechanism for collecting data on financial flows. The BOI continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies.

Law No. 186, criminalizing self-laundering, was added to the Italian Penal Code and became effective on January 1, 2015, giving Italy increased authority to prosecute individuals for money laundering as a standalone crime. This law defines self-laundering as an operation aimed to conceal the illegal origin of the money, carried out by the same person who committed or participated in the predicate offense.

Italy has a MLAT with the United States and is party to the U.S.-EU MLAT.

Italy is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Italy-2016.pdf>.

### **AML DEFICIENCIES**

As of January 2014, regulations require the application of enhanced CDD measures for the financial sector in transactions with both domestic and foreign PEPs. However, DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs.

DNFBPs are not legally required to file a STR when the beneficial owner is not identified in a business transaction. Although the overall reported STR data was positive, the overall percentage of STRs reported by DNFBPs decreased by half, and 21 percent of the reports were voluntary disclosures. The government plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs.

Money remitters operating under EU passport and free border arrangements are not adequately regulated or supervised, although the situation should improve with the implementation of the EU's Fourth Anti-Money Laundering Directive (AMLD).

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The criminalization of self-money laundering, which allows for expanded legal authority to prosecute individuals for money laundering has increased the severity of convictions for these crimes and has acted as a deterrent. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there are numerous repeat offenders.

The UIF has worked to increase the number of STRs filed by DNFBPs, especially within the public administration sector. In 2016, STR filings saw a dramatic increase from 2015, attributed by the UIF to more active participation among non-financial professionals, particularly lawyers and accountants.

Italy continues to implement the 1988 UN Drug Convention and seeks to implement revisions to its AML policies in accordance with the EU's 2015 Fourth AMLD; Italy entered in compliance with the AMLD on May 25, 2017 with legislative decree number 90.

## **Jamaica**

### **OVERVIEW**

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and weapons trafficking, financial fraud schemes, corruption, and extortion. It is largely perpetrated by organized criminal groups.

Jamaica's Financial Investigations Division (FID), which includes the FIU, has used the Proceeds of Crime Act (POCA) to seize properties and other assets believed to be derived from criminal activities. Jamaica has enforced the POCA with moderate success, but the law is still not being implemented to its fullest potential due to difficulties prosecuting financial crime and achieving convictions in these cases.

The government should make a concerted effort to identify money laundering-related activities, prosecute political and public corruption, and ensure financial institutions and DNFBPs are fully compliant with the law. Jamaica also should take steps to build the capacity of its law enforcement, prosecutors, and courts in order to successfully prosecute financial crime cases. It should review and modify its case-processing procedures to enhance its ability to prosecute financial crimes efficiently and effectively.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics, weapons trafficking, financial fraud schemes, corruption, and extortion. Jamaica continues to experience a large number of financial crimes related to advance fee fraud (lottery scams), cybercrime, bulk cash smuggling, and trade-based fraud. A large number of financial crimes related to cybercrime, including lottery-related financial fraud schemes, target U.S. citizens. The activities are largely perpetrated by the dozens of violent, organized criminal groups on the island.

### **KEY AML LAWS AND REGULATIONS**

POCA permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. The act allows the court to assess a defendant's revenue from illicit activities and to order post-conviction forfeiture of proceeds. The confiscation provisions apply to all property or assets associated with or derived from any criminal activity, including legitimate businesses used to launder illicitly derived money. FID continues to work with the Jamaica Constabulary Force (JCF) and other agencies to pursue cases that could result in asset seizure.

Jamaica's financial institutions (including money remitters and exchanges) file an inordinately high volume of STRs annually, the vast majority of which are likely defensive filings. They and DNFBPs are subject to a range of preventative measures in line with international standards. In 2017, a Jamaican court ruled that the POCA regime could be imposed on lawyers because it did not breach a lawyer's duty of confidentiality to clients.

Jamaica is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/jamaica-1>.

### **AML DEFICIENCIES**

Lengthy case prosecution delays hinder the effectiveness of the judicial system. The Jamaican courts and prosecutors have been unable to keep pace with increased crime, including financial crimes. Inefficient legal practice methods combined with corruption and a lack of accountability exacerbate an already overburdened justice system. Rather than pursuing money laundering as a stand-alone offense—which requires proof of the underlying unlawful activity, often a difficult task—Jamaican law enforcement and prosecutors tend to pursue predicate offenses to money laundering, which carry less serious consequences. Likewise, in plea bargains, the POCA offenses are sometimes dropped. The POCA is a powerful tool to counter money laundering; however, it is not achieving the desired or intended results.

To date, the regulatory entities have not used their enforcement authority to sanction reporting entities for identified shortcomings in adherence to AML regulations.

Political and public corruption both generate and facilitate illicit funds and activity.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Jamaica has implemented the POCA with moderate success but continues to under-enforce it. The FID conducts programs to sensitize the public about POCA provisions to reduce the possibility individuals would unwittingly breach the law.

In 2016, there were 18 prosecutions and six convictions related to money laundering. Jamaican authorities have obtained a few convictions under section 101A of the POCA, which prohibits cash transactions greater than approximately U.S. \$7,870. From January through August 2017, FID forfeited approximately U.S. \$220,000 in cash and assets, while restraining approximately U.S. \$1.04 million in cash and other assets.

Jamaican authorities regularly collaborate with foreign law enforcement on cases of mutual interest, and there are a number of joint initiatives underway. Jamaica has been responsive to an increased number of United States requests for extradition for lotto scammers and money launderers. In 2017, there was more than a ten-fold increase over the number of such fugitives extradited to the United States as compared to the preceding two years.

Jamaica's Parliament is currently debating a law to make the Major Organized Crime and Anti-Corruption Agency, which currently falls under the auspices of the JCF, an independent agency. Parliament has passed, though the Governor-General has not yet signed, the Integrity Commission Act, which will consolidate three anti-corruption bodies into one entity, the Integrity Commission, which will have enhanced prosecutorial authority.

Jamaica is implementing programs to address noted deficiencies.

## **Kazakhstan**

### **OVERVIEW**

Kazakhstan is a transit country for Afghan heroin and opiates to Europe via Russia and, thus, is vulnerable to drug-related money laundering crimes. Tracking narcotics revenue remains difficult, as payments make use of informal remittance systems, such as hawala, or the QIWI Wallet electronic payment system.

Kazakhstan's AML regime is largely compliant with international standards. Nevertheless, the absence of parallel financial investigations and the resistance of local key stakeholders to a "stand-alone" money laundering concept create challenges. Low numbers of money laundering investigations and convictions suggest that Kazakhstan should strengthen enforcement of its AML regime.

In 2017, Kazakhstan started work on its national risk assessment to identify money laundering vulnerabilities.

In 2017, Kazakhstan completed a capital amnesty program conducted from 2015-2016, resulting in U.S. \$17 billion repatriated, including U.S. \$2 billion in declared funds held overseas. Beginning in 2020, all citizens of Kazakhstan will be obligated to file income tax returns.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Government corruption, organized crime, and a large shadow economy make the country vulnerable to money laundering. A significant part of Kazakhstan's extractive sector wealth is held in offshore accounts with little public scrutiny or accounting oversight. The major sources of laundered proceeds are graft by public officials, tax evasion, and fraudulent financial activity, particularly transactions using shell companies to launder funds returned in the form of foreign investments. In addition, the smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen remain common practices.

Kazakhstan recently established the Astana International Financial Centre (AIFC), intended to serve as a regional financial hub and offshore zone, to be governed by a separate legal system based on British Common Law, overseen by a to-be-established Financial Supervisory Agency.

Casinos and slot machine parlors are located only in selected territories. The Ministry of Culture and Sport is responsible for the regulation of the gaming sector and also issues licenses to gaming businesses. Kazakhstani law prohibits online casinos and gaming. Law enforcement agencies find it challenging to combat online gaming. The vulnerability of these businesses to money laundering and the scope of government oversight are not known.

### **KEY AML LAWS AND REGULATIONS**

The AML/CFT Law adopted in 2009, with amendments made in 2012, 2014, and 2015, creates the legal framework for all preventive measures to be observed by the private sector.

Kazakhstan has a bilateral MLAT with the United States, which entered into force on December 6, 2016. Kazakhstan is also a signatory to relevant multilateral law enforcement conventions that have mutual legal assistance provisions.

Kazakhstan is a member of the EAG, a FATF-style regional body. Its most recent MER can be found at: <http://www.eurasiangroup.org/mers.php>.

### **AML DEFICIENCIES**

Current AML law does not cover financial management firms, travel agencies, or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain records, conduct CDD, or report suspicious activity. Enhanced due diligence is required for foreign, but not domestic, PEPs.

Legal persons are not subject to either criminal or administrative liability for money laundering offenses.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

During the first nine months of 2017, prosecutors brought 24 money laundering-related cases to trial, resulting in 12 convictions. The FIU demonstrated the capacity to cooperate with domestic law enforcement agencies and foreign FIUs.

The government remains in need of additional resources to implement financial crimes regulations. The government should train local institutions and personnel on further implementation of the AML/CFT law. The government also should ensure due diligence and reporting requirements are applied to all appropriate entities.

Starting January 1, 2018, a new provision will limit law enforcement's ability to confiscate property illegally obtained or purchased with illicit funds. Whereas the current law permits seizure of all property of anyone convicted for predicate offenses related to money laundering or drug trafficking, the new provision will force law enforcement to prove fraud or criminal intent led to the purchase of each individual item.

Kazakhstan lacks a mechanism to share with other countries assets seized through joint or trans-border operations.

All reporting entities subject to the AML/CFT Law are inspected by their respective regulatory agencies, but these agencies lack resources and expertise to properly ensure compliance. In addition, all reporting entities, except banks, have difficulties in implementing a risk-based approach to CDD, so they mostly employ a blanket approach. Regulatory agencies, in coordination with the FIU, should ensure the ability of non-bank reporting entities to implement a risk-based AML approach that will lead to improved STR reporting.

There is a two-tier AML/CFT Certification Program for private sector representatives that includes both national and international components. Ninety percent of Kazakhstani banks have at least one certified compliance specialist.

A pool of instructors delivers training to law enforcement and state officials in accordance with the National Financial Investigations and Asset Recovery Program on a regular basis.

## **Kenya**

### **OVERVIEW**

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, with its banking and financial sectors growing in sophistication, and is at the forefront of mobile banking. Money laundering occurs in the formal and informal sectors, deriving from domestic and foreign criminal operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Financial institutions engage in currency transactions connected to international narcotics trafficking, involving significant amounts of U.S. currency, which is derived from illegal sales in the United States and in Kenya.

Banks, wire services, and mobile payment and banking systems are increasingly available in Kenya. Nevertheless, unregulated networks of hawaladars and other unlicensed remittance systems facilitate cash-based, unreported transfers that the government cannot track. Foreign nationals, including refugee populations and ethnic Somali residents, primarily use the hawala system to transmit remittances internationally. Diaspora remittances to Kenya totaled U.S. \$1.21 billion between January and September 2017. There are about 165,900 mobile-money agents in Kenya, most working through Safaricom's M-Pesa system. There are also over 14 million accounts on M-Shwari, a mobile lender. These services remain vulnerable to money laundering activities.

Kenya is a transit point for the region and for international drug traffickers, and TBML continues to be a problem. Kenya's proximity to Somalia makes it an attractive location for laundering certain piracy-related proceeds, and there is a black market for smuggled and grey market goods. Goods reportedly transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are actually sold in Kenya. Trade in goods is often used to provide counter-valuation in regional hawala networks.

### **KEY AML LAWS AND REGULATIONS**

Under the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and other banking regulations, Kenyan financial institutions and entities reporting to the Financial Reporting Center (FRC), Kenya's FIU, are subject to KYC and STR rules and have enhanced due diligence procedures in place for PEPs.

Kenya is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER can be found at: [http://www.esaamlg.org/reports/view\\_me.php?id=228](http://www.esaamlg.org/reports/view_me.php?id=228).

### **AML DEFICIENCIES**

An automated system would improve the FRC's efficiency and ability to analyze suspicious transactions. Although the FRC receives STRs from some MVTs providers, this sector is more challenging to supervise for AML compliance.

The tracking and investigation of suspicious transactions within the mobile payment and banking systems remain difficult. Criminals could potentially use illicit funds to purchase mobile credits at amounts below reporting thresholds. Lack of rigorous enforcement in this sector, coupled with inadequate reporting from certain reporting entities, increases the risk of abuse.

To demand bank records or seize an account, police must obtain a court order by presenting evidence linking the deposits to a criminal violation. Confidentiality of this process is not well maintained, allowing account holders to be tipped off and providing an opportunity to move assets.

The government, especially the police, should allocate adequate resources to build sufficient institutional capacity and investigative skills to conduct complex financial investigations independently. Bureaucratic and other impediments also may hinder the investigation and prosecution of these crimes. While Kenya has made strides in implementing an AML framework, challenges remain to achieving comprehensive, effective implementation of AML laws and regulations. Kenya should fully satisfy its commitments on good governance, anti-corruption efforts, and improvements to its AML regime.

Despite some progress, Kenya has not yet fulfilled all of its commitments to join the Egmont Group.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The POCAMLA legislation provides a comprehensive framework to address AML issues and authorizes appropriate sanctions for money laundering crimes. The Office of the Director of Public Prosecutions has used ancillary provisions in the POCAMLA to apply for orders to restrain, preserve, and seize proceeds of crime in Nairobi. In 2016, the judiciary established the Anti-Corruption and Economic Crimes Division in the High Court.

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission (EACC) prior to opening a bank account. In 2016, the EACC denied permission to 146 government employees to open foreign bank accounts.

In March 2017, Kenya enacted the Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2017. The legislation includes new legal sanctions for economic crimes and measures to identify, trace, freeze, seize, and confiscate crime proceeds. Persons can be fined up to approximately U.S. \$47,400 (5 million Kenyan shillings), and corporate bodies up to approximately U.S. \$237,100 (25 million Kenyan shillings), with up to approximately U.S. \$94,900 in additional fines for failure to comply. It also establishes an Assets Recovery Agency to handle all cases of recovery of crime proceeds.

Extradition between the United States and Kenya is governed by the 1931 U.S.-U.K. Extradition Treaty. The United States and Kenya do not have a bilateral MLAT; however, Kenya is a party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. The U.S. and Kenya can also make and receive requests for assistance on the basis of domestic laws.

## **Kyrgyz Republic**

### **OVERVIEW**

While the Kyrgyz Republic is not a regional financial center, a large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. In 2017, known remittances from migrant workers comprised nearly 34 percent of GDP. A significant portion of remittances enter through informal channels or is hand-carried to the country from abroad. The banking system in the Kyrgyz Republic is recognized as a reliable partner for foreign banks and other financial institutions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Absent exact figures, it appears narcotics trafficking is the main source of criminal proceeds, as the country sits along the transit route from Afghanistan to Russia and beyond. Additionally, the smuggling of consumer goods, tax and tariff evasion, and official corruption also serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk-cash couriers, and unregulated value transfer systems. Resource constraints, inefficient financial systems, and corruption serve to stifle efforts to effectively combat money laundering.

### **KEY AML LAWS AND REGULATIONS**

The Law on Combating Money Laundering and Terrorism Financing came into force in the Kyrgyz Republic in 2006 and a number of amendments were subsequently adopted.

The Kyrgyz Republic has comprehensive KYC and STR regulations. STR covered entities include banks; financial organizations; credit unions; insurance organizations; professional participants of equity markets; mortgage companies; retirement asset management companies; leasing companies; persons providing funds or values transfer, including a specialized system of money transfers without opening an account; persons engaged in the purchase, sale, or

conversion of foreign currency on a professional basis; pawnshops/buyer companies; commodity exchanges; non-financial commercial organizations; persons organizing and conducting lotteries; private pension funds; organizations engaged in real estate transactions or real estate brokerages; persons carrying out operations with precious metals and precious stones, including jewelry and waste products; persons carrying out monetary or property operations and/or transactions; persons providing trustee services, including trust companies; and post/telegraph organizations providing money transfers.

KYC covered entities include banks, credit institutions, stock brokerages, foreign exchange offices, insurance companies, notaries, attorneys, regulators, tax consultants and auditors, realtors, the State's property agency, trustees, jewelry stores and dealers, and customs officers.

Gambling was prohibited by the Government of the Kyrgyz Republic in 2015.

There is no records-exchange mechanism in place with the United States nor is one under negotiation. In 2017, the FIU signed international cooperation agreements with Monaco, Panama, and Israel on exchanging information on money laundering and terrorism financing.

The Kyrgyz Republic is a member of the EAG, a FATF-style regional body. Its most recent MER can be found at: <http://www.eurasiangroup.org/mers.php>.

### **AML DEFICIENCIES**

Amendments to the AML law in July 2015 expand the list of entities required to report STRs but remove notaries from the list. The current AML law has due diligence only for foreign PEPs. The President signed a new Criminal Code and Criminal Procedure Code in December 2016; the new Criminal Code will introduce criminal corporate liability in 2019.

The government has substantially addressed its action plan to correct noted deficiencies, by adequately criminalizing money laundering and terrorism financing; instituting adequate measures for the confiscation of funds related to money laundering; and strengthening customer due diligence requirements.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2016, the FIU drafted a new AML law in which the FIU tried to follow all international standards and definitions, but in 2017, the Parliament withdrew the document for revision. The FIU is working on a new draft and will resubmit it in 2018.

The Kyrgyz Republic is not subject to any U.S. or international sanctions or penalties. There are no known refusals to cooperate with foreign governments.

In 2016, the FIU started publishing quarterly and annual reports on its web site. These reports are public and available for download. In 2017, the FIU published a brief report on the evaluation of money laundering and terrorist financing risks. In 2016, five employees from the FIU attended an international financial investigative course.

According to FIU 2017 data (second quarter), the FIU conducted 52 financial investigations on money laundering, out of which seven cases were sent to law enforcement bodies; however, data on prosecutions and convictions is not available.

The United States lacks a bilateral extradition treaty or MLAT with the Kyrgyz Republic. Cooperation takes place under the UN law enforcement multilateral conventions, to which the Kyrgyz Republic is also a signatory, including the 1988 UN Drug Convention.

## **Laos**

### **OVERVIEW**

A fast-growing economy, weak governance, and Laos' geographic position at the heart of mainland Southeast Asia combine to make it vulnerable to money laundering. The financial sector in Laos has expanded rapidly over the last decade, and while the government has enacted several new regulations aimed at preventing money laundering, officials' knowledge remains relatively limited and implementation is untested, leaving Laos an attractive target for money launderers. Wide-spread corruption, drug trafficking, environmental crime, the casino industry, and human trafficking all present significant vulnerabilities for Laos' AML regime. Laos identified its main money laundering predicate as drug trafficking and production.

Laos continues to work to address identified AML deficiencies. Laos has established the legal and regulatory framework to meet its commitments in its action plan regarding noted AML/CFT deficiencies; however, implementation and enforcement challenges remain.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

A cash-based economy, limited capacity in the legal sector, and lax law enforcement make Laos an attractive environment for criminal networks. High-value commodities, including land, property, and luxury vehicles are routinely purchased with cash. Laos has a large informal economy and uses informal value transfer systems. Beyond the formal border crossings, Laotian borders are notoriously porous, enabling smugglers to cross with relative ease.

There are three casinos in Laos, including one in the Golden Triangle Special Economic Zone in Boten Province bordering Thailand and Burma. The Ministry of Planning and Investment has responsibility for signing an agreement with an investor in the gaming sector and the Minister of Finance for taxes and the collection of fees. At present, there are no laws or decrees regarding supervision of the gaming industry, though the Prime Minister's office has expressed a desire to increase industry supervision via a decree.

Working with a donor, Laos started work on its AML/CFT national risk assessment (NRA) in 2017 and expects to complete the project by mid-2018. The NRA should identify those high-risk areas vulnerable to money laundering to form the basis for the government's development of an AML/CFT strategic plan.

## **KEY AML LAWS AND REGULATIONS**

In recent years, Laos has made a number of technical reforms, including criminalizing money laundering, expanding the legal authority for seizure and forfeiture, strengthening the independence and capabilities of the FIU, and enhancing the cross-border cash declaration system, financial institution supervision, and STR reporting requirements. Implementation and enforcement of these items now must be sustained.

In 2015, Laos issued a new AML/CFT law. Laos also established the National Coordinating Committee on AML/CFT (NCC) to oversee AML/CFT implementation. The NCC is a non-permanent group composed of senior government officials appointed or removed by the Prime Minister. With NCC oversight, the government issued several regulations, instructions, and guidelines throughout 2015.

The Anti-Money Laundering Intelligence Office (AMLIO), the Laotian FIU, has signed MOUs with eight foreign countries and regularly exchanges information related to individual and corporate accounts that are under investigation. Laos does not have a records-exchange mechanism in place with the United States, but mutual legal assistance is possible through multilateral conventions.

Laos is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354>.

## **AML DEFICIENCIES**

Despite having established the necessary legal framework and a FIU, enforcement of AML laws remains a challenge. Awareness and capacity among the state-owned commercial banks, which have the largest market share in Laos, remain weak. Most of the STRs submitted to the FIU originate from overseas financial institutions operating in Laos. When a domestic bank does report, the quality of the information received is generally poor.

Deficiencies include a lack of oversight for MVTS providers, weak implementation capacity, and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed. Legal persons are not subject to criminal liability for money laundering, although this should change when the new penal code is approved by the National Assembly. As of December 2017, the new penal code had not been fully ratified.

Laos needs to expand risk-based supervision beyond financial institutions, especially to the high-risk casino sector, which is now covered by an STR requirement.

Laos' system to identify, freeze, and seize assets is new and untested.

Laos is not a member of the Egmont Group, but is working to become one with the support of sponsor FIUs.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Despite the introduction of the 2015 AML/CFT law, parallel financial investigations are not routinely conducted alongside predicate crime investigations. The People's Court of Vientiane Capital prosecuted just one case of money laundering in 2017. AMLIO conducted initial on-site AML inspections of all commercial financial institutions, but AMLIO and other supervisors need to commence AML inspections of banks outside the capital and of non-financial institutions.

AMLIO is taking steps to enhance awareness of AML requirements, including by holding regular AML workshops with reporting entities.

While there appears to be a broad agreement among ministries to maintain the AML progress that Laos has made so far, domestic cooperation among agencies is not as effective as it should be. International cooperation on AML and asset forfeiture also requires improvement.

## **Lebanon**

### **OVERVIEW**

Lebanon is a hub for banking activities in the Middle East and Eastern Mediterranean and has one of the most sophisticated banking sectors in the region. Over the past two years, Lebanon's government passed key legislation that strengthened its AML regime. The Central Bank of Lebanon, together with its Special Investigation Commission (SIC), regularly issues and updates compliance regulations in accordance with international banking standards. The SIC, Lebanon's FIU, is also the main AML supervisory authority and is empowered to freeze financial transactions and accounts.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Lebanon has a black market for cigarettes, counterfeit consumer goods, pirated software, CDs, and DVDs. Transactions in the black market are predominantly cash-based and neither the sale of these goods nor the domestic illicit narcotics trade generates significant proceeds that are laundered through the formal banking system. There are no official statistics on such crimes. Money laundering predicates include theft, forgery, and terrorist financing. A national AML/CFT risk assessment should be used to determine the money laundering typologies used in Lebanon. These should then be shared with relevant entities in the government and private sector.

Lebanese authorities have revoked licenses and increased regulatory requirements for exchange houses that facilitate money laundering, including by Hizballah, a U.S.-designated foreign terrorist organization. A number of Lebanese expatriates in Africa, the Gulf, and South America have established informal financial networks, some of which reportedly engage in TBML schemes. International trade also provides counter-valuation between Lebanese hawaladars. Hawala operations are restricted to licensed and supervised money dealers that are required to

carry out such transactions in line with the regulations of the central bank, which set restrictions and impose thresholds.

Lebanon's Customs Authority operates two FTZs, in Beirut and Tripoli. Offshore banking, trust, and insurance companies are not permitted in Lebanon.

### **KEY AML LAWS AND REGULATIONS**

In October 2016, Lebanon's parliament passed a law on the exchange of information for tax purposes (Law 55/2016). To implement the provisions of the Law, on July 21, 2017, the central bank issued Basic Circular No. 139 related to the Common Reporting Standard. The Circular sets forth new reporting requirements and due diligence procedures for identifying reportable accounts in compliance with international recommendations of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The parliament also passed legislation governing trusts and abolishing the use of bearer shares.

AML legislation enacted in 2015 widens the categories of reporting entities, expands the list of predicate offenses for money laundering, and imposes cross-border cash declaration requirements. Lebanon has an asset confiscation law and can share confiscated assets with countries with which it cooperates.

The central bank has issued circulars and regulations to strengthen AML controls and to control the use of pre-paid cards and bearer shares. It also introduced requirements for financial institutions to adopt a risk-based approach to cross-border operations with their branches and subsidiaries, as well as to fully vet the identity of their customers. The SIC issued additional circulars and AML controls directed at DNFBPs.

Lebanon is a member of the MENAFATF, a FATF-style regional body. Its most recent MER can be found at: <http://menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-lebanese-republic>.

### **AML DEFICIENCIES**

Local banks and financial institutions have implemented regulatory measures, notably enhanced due diligence, regarding high-risk customers and/or closure of accounts that represent unacceptable risks. The SIC froze a number of accounts due to suspicion of money laundering; the SIC does not publicly disclose figures of total amounts frozen. The number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased; however, convictions relating to money laundering remain modest.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Lebanon strengthened its overall efforts to disrupt and dismantle money laundering activities, including those by Hizballah. The government continues to improve coordination among its law enforcement and investigative agencies regarding the investigation of complex financial crimes.

The government prosecuted 19 money laundering cases in the first nine months of 2017 (11 of which were initiated in 2016). The Internal Security Forces (ISF) received 101 money laundering allegations and arrested 27 persons. The ISF Cybercrime and Intellectual Property Unit tracked 30 cases of local hackers who embezzled approximately U.S. \$2.6 million from local depositors and transferred the funds to bank accounts located outside Lebanon.

The Lebanese government trained a joint task force, comprised of representatives from Customs, the ISF, the SIC, and the judiciary. Cooperation among the SIC and local enforcement authorities has improved following training initiatives. Lebanon stands to further benefit from increased AML cooperation among local and international law enforcement organizations.

Customs is required to inform the SIC of suspected TBML; however, local press reports claim unreported corruption occurs at Customs.

Lebanon is a participant country of the Kimberley Process and its trade in rough diamonds is governed by Law Number 645. Historically, there have been reports of smuggling and the incorrect invoicing and misclassification of diamonds, although the Kimberley Process Office at the Ministry of Economy and Trade and Lebanese Customs assert that no recent cases have been reported.

## **Liberia**

### **OVERVIEW**

Despite the Government of Liberia's efforts to strengthen its AML regime, key challenges impede implementation of measures that effectively and systematically counter illicit financial transactions. Although the Central Bank of Liberia (CBL) has trained examiners on AML requirements and has started to conduct on-site AML bank examinations, robust enforcement to bring financial institutions into compliance is lagging. While interagency coordination has improved, key stakeholders have not produced actionable financial intelligence, conducted systematic financial investigations of institutions where illegal profits are generated, or pursued prosecutions leading to convictions for financial crimes. Banks and other financial institutions have limited capacity to detect money laundering and their financial controls remain weak. Although the government established the FIU in 2014, it remains under-funded and lacks the institutional capacity to adequately collect, analyze, and disseminate financial intelligence, including STRs. These risks are compounded by the fact the Liberian economy is cash-based and has weak border controls, and that corruption remains endemic. Liberia remains vulnerable to illicit activities, to include drug trafficking and associated money laundering.

Liberia should seek to improve its monitoring of foreign exchange transactions, and corporate debt and securities activity. It should also strengthen border controls, enhance the oversight authority of CBL, and provide additional resources to the FIU. Liberia should continue to work with international partners to ensure that laws, regulations, and policies meet international AML standards.

## **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Smuggled goods enter Liberia through its porous borders. Illicit transactions are facilitated by Liberia's cash-based economy, with both Liberian and U.S. dollars recognized as legal tender.

Money exchange operations are poorly controlled and licenses can be obtained from the CBL without a background check. There are also numerous non-licensed foreign exchange sites and a large number of unregulated entities whose opaque activities raise concerns. Several money exchange entities facilitate hawala money transfers. Artisanal diamond and gold mines, scattered throughout the country, are largely unregulated and difficult to monitor, and contribute to an enabling environment for illicit financial transactions.

The Liberia National Police (LNP), Liberia Drug Enforcement Agency, and National Security Agency have the authority to investigate financial crimes but have not been effective in pursuing investigations and subsequent prosecutions, due to limited institutional capacity and interagency cooperation. Liberia does not currently have any FTZs. There are two registered, but unregulated, casinos in the country.

Money laundering investigations are hampered by political interference, corruption, lack of financial transparency and proper recordkeeping, and limited capacity of law enforcement and justice institutions to solve complex financial crime cases.

## **KEY AML LAWS AND REGULATIONS**

The CBL has updated KYC and CDD guidelines. However, the CBL is constrained by limited technical capacity to monitor and enforce compliance. Donor assistance has supported CBL efforts to conduct bank examinations for compliance with AML requirements. Also, the FIU has updated its regulations, including those related to STRs and CTRs, cross-border currency (cash and negotiable instruments) transfers, and enhanced due diligence related to PEPs. The FIU is currently drafting regulations to guide NGOs and their regulators on AML/CFT compliance. The FIU also has modified the STR and CTR reporting format for bank and non-bank financial service providers to aid in the filing of these reports for transactions via mobile money.

Liberia is a member of the GIABA, a FATF-style regional body. Its most recent MER can be found at: [https://www.giaba.org/about-giaba/mutual-evaluation\\_629.html](https://www.giaba.org/about-giaba/mutual-evaluation_629.html).

## **AML DEFICIENCIES**

The government's lack of institutional capacity, analytical capability, and technical experience to enforce regulations, investigate financial crimes and illicit money flows, and conduct successful prosecutions and asset recovery are key challenges to developing a robust AML regime.

Liberia is not a member of the Egmont Group and does not have a records-exchange mechanism with the United States.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2016, the FIU adopted three AML regulations that address mandatory declaration of all cross border transportation of currency and negotiable financial instruments exceeding U.S. \$10,000; a requirement that all financial institutions file CTRs for all transactions that exceed the designated thresholds; and a requirement that financial institutions file a STR for any unusual or suspicious transaction. Enforcement of these regulations is often impeded by limited capacity of law enforcement agencies to investigate and prosecute regulatory violations and by judicial corruption. To date, there have been no prosecutions or convictions for money laundering in Liberia.

Since January 2017, the FIU has conducted workshops for judges, magistrates, prosecutors, and law enforcement officers on laws and procedures for international cooperation and mutual assistance in criminal matters. The FIU also is conducting specialized training sessions for regulators of the gaming industry, including the monitoring of casinos and sports gaming operations, which are becoming more common in Liberia. Similar training programs are being offered to insurance companies, mobile money service providers, and precious stones traders.

Liberia is member of Economic Community of West African States (ECOWAS). Liberia's laws are consistent with UN conventions and ECOWAS protocols on narcotics and psychotropic substances to which Liberia is a signatory.

## **Macau**

### **OVERVIEW**

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, includes offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

With gaming revenues of U.S. \$27.9 billion for 2016 and 30 million visitors a year, Macau is the world's largest gaming market by revenue, with Mainland Chinese residents making up the majority of its visitors. The gaming sector in Macau caters to three main customer types – premium players, junket players and mass gaming players. The gaming industry relies heavily on junket operators for the supply of wealthy gamblers, mostly from Mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the Mainland, where gambling is illegal. Asian organized crime groups, including triads, are active in the gaming services and in other illegal activities, including drug trafficking. 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. Recently, however, visitors from Mainland China have decreased in the wake of China's crackdown on corruption.

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.

### **KEY AML LAWS AND REGULATIONS**

Macau has an interagency AML/CFT working group which conducted a risk assessment in 2015 and is coordinating responses to identified risks. Macau's Law 2/2006 on the prevention and repression of money laundering crimes and Law 3/2006 on the prevention and suppression of the crimes of terrorism and CFT came into effect in 2006. These laws put AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. In addition, the laws postulate suspicious transaction reporting requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Macau continues to make considerable efforts to develop an AML framework that meets international standards. In May 2016, the Legislative Assembly amended laws 2/2006 and 3/2006. The amendments, which came into effect in May 2017, widen the scope of identifiable criminal offenses and strengthen customer due diligence measures.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), revised its AML/CFT guidelines in May 2016 to require all gaming and junket operators to perform record keeping for large and/or suspicious transactions, customer due diligence, and enhanced due diligence. Macau gaming supervisors have a good understanding of the risks posed by junket operators. Macao is taking a more stringent approach towards licensing and the supervision of junket promoters which, in addition to acting as third party introducers, are also subject to enforceable AML requirements. This is the subject of enhanced and renewed focus by DICJ. The number of licensed junket promoters has decreased from 225 in 2011 to 125 in 2016, reflecting market forces, enhanced market entry requirements, and greater enforcement of AML measures.

A new law on cross border cash declaration and disclosure systems became operative on November 1, 2017. Under this law, travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately U.S. \$15,000 (MOP 120,000) or more will have to sign a declaration form to that effect and submit it to the Macau Customs Service.

Macau is a member of the APG, a FATF-style regional body. Its most recent MER can be found at:

<http://www.apgml.org/includes/handlers/get-document.ashx?d=56599928-655f-41e8-9570-0a7ee0872b0e>.

### **AML DEFICIENCIES**

Gaming entities are subject to threshold reporting for transactions over approximately U.S. \$62,640 (MOP 500,000) under the supplementary guidelines of the Gaming Inspection and

Coordination Bureau. Macau should lower the large transaction report threshold for casinos to U.S. \$3,000 to bring it in line with international standards.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

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 UN Drug Convention (1999), the UNTOC (2003), and the UNCAC (2006).

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage smaller junket operators, who have weaker AML controls, to exit the market while encouraging the professional junket operators to continue to develop their compliance programs. Macau also should enhance its ability to support international AML investigations and recovery of assets. Only a handful of money laundering convictions have been obtained in recent years.

In 2016, STRs received from the gaming sector accounted for 67 percent of the 2,321 reports filed. A total of 240 STRs were sent to the Public Prosecutions Office.

## **Malaysia**

### **OVERVIEW**

Malaysia is a highly open, upper-middle income economy with exposure to a range of money laundering threats. The country's porous land and sea borders, visa-free entry policy for nationals from over 160 countries, strategic geographic position, and well-developed financial system increase its vulnerability to domestic and transnational criminal activity, including fraud, corruption, drug trafficking, wildlife trafficking, smuggling, tax crimes, and terrorism finance.

Malaysia has largely up-to-date AML legislation, well-developed policies, institutional arrangements, and implementation mechanisms. The country has shown continuing progress in efforts to improve AML enforcement. Malaysia has been investigating, prosecuting, and securing more convictions of money laundering; however, one key area for development would be the prosecution of foreign-sourced crimes.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Malaysia is primarily used as a transit country to move drugs globally. Drug trafficking by Chinese, Iranian, and Nigerian organizations is a significant source of illegal proceeds. Malaysia is also a source, destination, and transit country for wildlife trafficking, with some contraband (i.e., ivory) used as currency by the trafficking networks.

Corruption is also a significant money laundering risk. State-owned development fund 1Malaysia Development Berhad (1MDB) faces credible allegations of misappropriation from its

accounts and is the subject of several international probes. Other state-owned enterprises such as FELDA (the world's largest palm oil exporter) have also been subject to investigations of alleged corruption.

Illicit proceeds also are generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion. Smuggling of high-tariff goods is another major source of illicit funds. According to Customs officials, the implementation of GST (Malaysia's value-added tax) has helped uncover tax and customs duties evasion and led to better government control and investigations.

Malaysia has large cash and informal economies and an offshore sector on the island of Labuan, which is subject to the same AML laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit STRs.

Unauthorized illicit MSBs continue to pose a significant vulnerability. According to the FIU, in 2017, a joint operation with other Malaysian agencies uncovered illegal money remittance activities by a syndicate group totaling more than U.S. \$3 billion over five years. Syndicate members as well as third party launderers were prosecuted in this case.

Malaysia has Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. Currently, there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed. In 2017, Malaysia became the second country to launch a Digital FTZ.

Casinos are licensed and regulated by the Ministry of Finance. Malaysia has one licensed casino that the central bank periodically assesses for compliance with AML regulations.

Malaysia is a global leader in Islamic finance. The Islamic financial sector is subject to the same AML legal and regulatory regime as the conventional financial sector. Based on their supervisory experience, Malaysian regulators believe there are no material differences in AML risks between Islamic and conventional institutions. Malaysia's national risk assessment did not separately assess the Islamic financial sector.

### **KEY AML LAWS AND REGULATIONS**

Malaysia's Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) covers the money laundering offense, financial intelligence, reporting obligations, investigative powers, the confiscation regime, and the cross border declaration regime. Other laws supplement AMLA, such as the Dangerous Drugs (Forfeiture of Property) Act 1988, Malaysian Anti-Corruption Commission Act 2009, and the Criminal Procedure Code. Malaysia's AML regime includes comprehensive KYC and STR regulations.

Malaysia is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/includes/handlers/get-document.ashx?d=ae0b2ca0-65d3-4f5c-9112-b0fcf9e12849>.

### **AML DEFICIENCIES**

Malaysia has a high degree of technical compliance with international AML standards, but several deficiencies remain. Malaysia should continue its efforts to effectively target high-risk offenses or foreign-sourced crimes. In addition, criminal AML cases and predicate offenses have separate investigators and prosecutors. Combined investigations may lead to an increase in successful prosecutions. Malaysia has traditionally preferred to pursue other measures, particularly confiscation, rather than money laundering prosecutions; however, its management and efficient disposal of seized assets remain challenges. Additionally, the penalties for money laundering have been low and could be used more effectively.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Malaysia has a national action plan for improving its effectiveness in several areas, including enhancing focus on investigation and prosecution of high-risk money laundering crimes and expanding the usage of formal international cooperation to mitigate risks.

In 2016, Malaysia pursued 314 non-drug-related money laundering investigations and more than 1,160 drug-related money laundering investigations. Money laundering convictions remain very low.

## **Mexico**

### **OVERVIEW**

Mexico is a major source, distribution, and transit country for illegal narcotics destined for the United States. Billions of U.S. dollars of trafficking proceeds move to and from the United States and are laundered through the Mexican financial system annually. Corruption, bulk cash smuggling, kidnapping, extortion, oil and fuel theft, intellectual property rights violations, fraud, human smuggling, and trafficking in persons and firearms are additional sources of funds laundered through Mexico. Mexican authorities have had modest success investigating and blocking accounts of suspected money launderers and other illicit actors, although an October 2017 Supreme Court ruling may impact the government's ability to freeze accounts tied to illicit activity. Money laundering offenses continue to be committed with relative impunity as the government struggles to prosecute financial crimes and seize known illicit property and assets. Money laundering prosecutions, of which there have been very few considering the volume of illicit finance in Mexico, have declined further in recent years. Improved coordination among prosecutors (particularly within Mexico's Attorney General's office), the FIU, banking regulators, and law enforcement agencies is needed to increase the number of money laundering convictions and discourage criminal activity. There has been limited progress in this area to date.

## **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Illicit drug proceeds leaving the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations (TCOs) launder funds using a variety of methods. TBML often involves the use of dollar-denominated illicit proceeds to purchase retail items in the United States for export to and re-sale in Mexico, with revenue from the sale of these goods ultimately going to TCOs. TBML, which requires complicity by businessmen, increasingly involves loosely-regulated cryptocurrency exchange. Two additional popular methods include bulk cash smuggling and the use of funnel accounts, whereby individuals structure deposits at various financial institution accounts in the United States to be “funneled” into a centralized account for eventual wiring to Mexico. Funnel accounts are an attractive method of moving funds since the informal standard for an individual to present identification when making a deposit into an account is not universally applied by financial institutions, and amounts deposited usually fall below reporting requirements. Unlicensed and complicit exchange houses are also used to launder narcotics-related proceeds, although Mexico’s main banking regulator issued new regulations and set up a special regulatory unit to curtail the number of unlicensed exchange houses operating in the country.

## **KEY AML LAWS AND REGULATIONS**

Mexican AML law criminalizes money laundering using an “all serious crimes” approach and covers legal persons criminally and civilly. CDD rules include both foreign and most domestic PEPs.

In August 2017, Mexico coordinated closely with the United States’ Department of the Treasury OFAC on a designation of numerous Mexican individuals and entities affiliated with a drug trafficking organization. The Mexican Bankers Association’s members voluntarily screen against OFAC’s narcotics sanctions list. Pursuant to a recently-amended regulation, Mexican banks can share information on transactions and customers with U.S. and other financial institutions for AML purposes.

Mexico is a member of both the FATF and GAFILAT, a FATF-style regional body. Mexico’s most recent MER can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>.

## **AML DEFICIENCIES**

Mexico’s FIU suffered a setback in October 2017, when the Supreme Court ruled that the FIU’s administrative freezing of accounts violates due process rights and constitutional protections under Mexican law. To date, the ruling only impacts one entity’s frozen accounts, but it is expected many similarly-affected entities will file appeals in Mexican federal court. Given how law enforcement and judicial authorities have struggled to investigate and prosecute financial crimes, additional rulings of this kind, which are likely, would leave Mexico vulnerable until a legislative fix can be implemented.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Illicit actors in Mexico invest in financial and real assets, such as property, businesses, and luxury items. Although authorities recognize the abuse of certain sectors by money launderers, law enforcement responses are limited by lack of judicial capacity, cumbersome asset forfeiture laws, and corruption. Prosecution of money laundering cases is problematic. Fewer than 20 percent of all 2016 money laundering investigations led to charges being filed. Figures for 2017 are not yet available. The relative lack of convictions on money laundering cases is representative of a wider problem of impunity in Mexico. The transition from an inquisitive to an accusatorial judicial system in mid-2016 should improve Mexico's prosecution rates over the medium to long term. Draft non-conviction-based forfeiture legislation, which would enable law enforcement agencies to more easily seize illicit proceeds, has been under consideration in the Mexican Congress of the Union for an extended period of time, with few signs of progress on the horizon. Corruption in the law enforcement and judicial systems, moreover, especially at the state and local level, impedes the government's ability to convict organizations and individuals involved in money laundering.

## **Morocco**

### **OVERVIEW**

Morocco continues to strengthen its AML regime, making strides in risk management, information sharing, and streamlining implementation. The Financial Intelligence Processing Unit (UTRF), Morocco's FIU, conducted a national risk assessment (NRA) leading to the establishment of the National Coordinating Commission, chaired by UTRF. One of the commission working groups addresses threats and vulnerabilities related to money laundering. The assessment process is expected to lead to the development of a national strategy to combat money laundering.

The principal money laundering vulnerabilities in Morocco stem from a large informal sector, the prevalence of cash-based transactions, a high volume of remittances, and international trafficking networks. Morocco is an integration point for illicit drug money into the legitimate economy, and hundreds of millions of euros are laundered through the Moroccan economy yearly. In one case, members of an international money laundering organization (MLO) were arrested by French, Belgian, and Dutch authorities and accused of laundering 300 to 400 million euros from Western Europe through Dubai to Casablanca. Casablanca was used by the MLO as an entry point into the legitimate economy for proceeds derived from sales of illicit drugs throughout Western Europe. The illegal proceeds went from Western Europe to Dubai by hawala transfers and entered Morocco through front companies.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The informal business sector, estimated at nearly 13 percent of GDP, and Moroccans' tendency to transact in cash, present regulatory challenges. A 2014 government survey found that more than half of Morocco's 1.6 million informal businesses made less than U.S. \$10,000 yearly. However, the volume of business conducted informally, exceeding U.S. \$40 billion yearly,

makes the informal sector a source of vulnerability. In 2015, the government passed Law 114-13, which offers benefits for informal sector workers to register as “self-employed,” regulating small businesses and requiring them to pay taxes. More than 40,000 entrepreneurs registered by the end of 2016.

Money transfer services present a money laundering vulnerability due to their volume. Annual remittance transfers rose 4 percent to U.S. \$62.6 billion in 2016. The majority of transfers originate in Europe, with more than one-third from France. UTRF now requires operators in this sector to collect information enabling the identification of senders and recipients abroad.

Morocco’s geographical location as a gateway to Europe makes it an attractive conduit for smuggling, human trafficking, and illegal migration. The legislature has passed an anti-trafficking in persons law, which introduces a legal framework consistent with international standards. The law seeks to deter trafficking and money laundering with heavy sentences for offenders and a broad definition of trafficking to include anyone who gives or receives payments or benefits related to trafficking.

Unlawful trade in Moroccan-grown cannabis and the transiting of cocaine generates illicit profits. Morocco has also increasingly become a destination for cocaine trafficking. Moroccan authorities recently dismantled an international drug trafficking network and seized more than 2,500 tons of raw cocaine worth approximately U.S. \$3 billion.

Morocco has seven FTZs. An interagency commission chaired by the Ministry of Finance regulates the FTZs. The FTZs allow customs exemptions for goods manufactured in the zones for export abroad. Currently, offshore banks are located only in the Tangier Free Zone. The UTRF has reported suspicions of money laundering schemes using the Tangier Free Zone.

Casino accounts are another vehicle through which money enters and exits Morocco without currency control restrictions. A person can establish an in-house account at a Moroccan casino, and this account can receive money from any casino in the world where an individual has an account. There are no limits on how much money can be transferred into or out of Morocco by this method. The extent to which this transfer method is used to launder illicit drug proceeds is currently unknown.

### **KEY AML LAWS AND REGULATIONS**

UTRF continues to update policies, improve capacity, and promote coordination. Morocco has all key AML laws and regulations in place, including comprehensive KYC programs and STR procedures. High-risk customers/transactions are scrutinized under Morocco’s AML law and the Periodical of the Governor of the Central Bank, No.2/G/2012.

Morocco is a member of the MENAFATF, a FATF-style regional body. Its most recent MER can be found at:

<http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-kingdom-morocco>.

## **AML DEFICIENCIES**

The real estate market, art and antiques dealers, and vendors of precious gems were included in the NRA. Drug proceeds are still laundered easily through investments in jewelry or vehicles, but mostly through real estate. Most non-financial sectors, including notaries and accountants, do not appear to pose significant risks, according to UTRF.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Morocco works closely with international partners to strengthen its AML regime. Morocco has implemented the 1988 UN Drug Convention and other applicable agreements and has voluntarily initiated exchanges with private sector partners to address key vulnerabilities. While the Central Bank holds supervisory authority to ensure compliance with banking regulations, the UTRF plays a vital role as the recipient of STRs. UTRF also assesses systemic risk, disseminates information to financial entities, and regularly hosts dialogues with banks, other financial entities, and government authorities to facilitate information sharing, capacity building, and coordination.

## **Mozambique**

### **OVERVIEW**

As reported by the Attorney General's Office (PGR) to Parliament in 2017, money laundering in Mozambique is driven by cases of misappropriation of state funds, kidnappings, human trafficking, narcotics trafficking, and wildlife trafficking. With a long and largely unpatrolled coastline, porous land borders, and a limited rural law enforcement presence, Mozambique is a major corridor for the movement of illicit goods, with narcotics typically trafficked through Mozambique to South Africa or on to further destinations, such as Europe.

The PGR and Bank of Mozambique (BOM) have shown a willingness to address money laundering, and the Government of Mozambique has taken steps to improve the legal framework; however, attorneys, judges, and police lack the technical capacity and resources to successfully combat money laundering. Mozambique would also benefit from better collaboration and information sharing among institutions, including the Central Cabinet for Combating Corruption, the Criminal Investigations Police, the FIU, and the BOM.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The discovery of U.S. \$2 billion in illicit government-backed loans made by three state-owned companies in Mozambique without parliamentary oversight or inclusion in the national budget caused the IMF and international donors to halt direct budget support in 2016, with between U.S. \$700 million and U.S. \$1.2 billion of these funds still unaccounted for. Lax oversight of government borrowing creates opportunities for misappropriation of state funds and the potential for money laundering to hide ill-gotten assets.

International criminal syndicates are playing a more prominent role in illicit activities in Mozambique, with South Asian narcotics syndicates increasingly trafficking opiates and East Asian criminal organizations expanding engagement in wildlife poaching, illegal timber harvesting, and the transshipment of elephant ivory and rhino horns. Human trafficking for forced labor and commercial sex work remains an ongoing concern.

Authorities believe proceeds from these illegal activities finance commercial real estate developments, particularly in the capital. Although money laundering in the official banking sector is a serious problem, it is conducted primarily through informal markets by foreign currency exchange houses, cash smugglers, and hawaladars. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail sector in most parts of the country. Although there are three free trade zones in Mozambique, there is no known evidence that they are tied to money laundering.

### **KEY AML LAWS AND REGULATIONS**

Law 14/2013 and decree regulation 66/2014 provide additional tools and authority to combat money laundering in Mozambique. The law criminalizes terrorism finance, specifies evidence collection procedures, and allows for the seizure of documents. Mozambique has KYC provisions and STRs are analyzed and flagged by the FIU, which distributes them to relevant investigative bodies. The regulations also require enhanced due diligence for PEPs. The BOM has placed AML obligations on local banks, including compulsory justification for payments made in foreign currencies and declaration of origin for transactions greater than U.S. \$13,000.

Mozambique's criminal code (Art. 234) permits the confiscation of money in financial institutions where there are grounds to believe that the funds are proceeds or instrumentalities of crime. In 2017, Mozambique joined the Asset Recovery Inter-Agency Network for Southern Africa (ARINSA). Through ARINSA, Mozambique affords its investigators and prosecutors the opportunity to share information with other members to identify, track, and potentially seize criminal assets.

Mozambique is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER can be found at: [http://www.esaamlg.org/reports/view\\_me.php?id=226](http://www.esaamlg.org/reports/view_me.php?id=226).

### **AML DEFICIENCIES**

Although Mozambique has made steady progress establishing a legal framework that supports money laundering investigations, implementing agencies require access to more robust human, financial, and technical resources to investigate and prosecute money laundering and financial crimes cases effectively. The government has attempted to address this deficiency with money laundering content in its police academy training programs and through donor-supported seminars designed to build awareness of money laundering crimes. The FIU has expressed interest in joining the Egmont Group and has implemented many of the physical and information systems measures needed to become a member; however, it is still waiting for the Council of Ministers' approval to apply for membership.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Mozambique has demonstrated progress in enforcement under its AML laws and implementing regulations. In 2016, the PGR opened 16 money laundering investigations, twice the number it initiated in 2015. From these cases, the PGR brought seven indictments. During this same period, the BOM inspected six banks due to compliance concerns. The inspections found some deficiencies, but sanctions have not yet been initiated. The BOM also closed down Nosso Banco, a bank with ties to U.S. Department of the Treasury-sanctioned drug kingpin Mohamed Bachir Suleman. The PGR indicated it is investigating the possibility of fraud associated with the Nosso Banco bankruptcy.

The U.S. government and Mozambique are in the early stages of establishing records-exchange procedures. To that end, the U.S. Drug Enforcement Administration opened its first office in Mozambique in 2017 and is working to develop the mechanisms that will facilitate future information sharing on money laundering and narcotics cases. Additionally, the FIU already has signed MOUs with FIUs in Angola, Cape Verde, Ethiopia, Lesotho, Malawi, Namibia, Brazil, South Africa, Swaziland, Uganda, Zambia, and Zimbabwe.

## **Netherlands**

### **OVERVIEW**

The Netherlands is a major financial center and, consequently, an attractive venue for laundering funds generated from illicit activities, including those related to the sale of cocaine, cannabis, and synthetic and designer drugs, such as ecstasy. The Netherlands has a prosperous and open economy, which depends heavily on foreign trade.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands: Bonaire, Sint Eustatius, and Saba are special municipalities of the Netherlands; Aruba, Curacao, and Sint Maarten are autonomous countries within the Kingdom. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

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. Few border controls exist within the Schengen Area of the EU, although Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to minimize smuggling. The Netherlands is an open economy and is a large hub for the international financial sector. Underground remittance systems, such as hawala, operate in the Netherlands. Criminal networks increasingly use cyber currencies to facilitate illegal activity.

### **KEY AML LAWS AND REGULATIONS**

Every three years, the government commissions an independent audit of Dutch policy. The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML regime. The law has comprehensive KYC and STR regulations, which apply to many actors in the financial sector, including pawnshops and brokers in high-value goods. On January 1, 2017, new legislation entered into force expanding the predicate crimes for money laundering to include the possession of stolen goods.

On March 31, 2017, the government presented a legislative proposal to create a special registry listing the ultimate beneficial owners (UBO) of companies and legal entities. The proposal is part of the Dutch implementation of the fourth EU Anti-Money Laundering Directive. The proposed UBO registry will be run under the Chamber of Commerce and aims to prevent money launderers from hiding behind legal entities. On October 13, 2017, the cabinet submitted legislation to Parliament to implement the EU's Fourth Anti-Money Laundering Directive.

There is a MLAT between the Netherlands and the United States.

The Netherlands is a member of the FATF. Its most recent MER can be found at:

<http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationreportofthenetherlands.html>

.

### **AML DEFICIENCIES**

The Dutch FIU enjoys an international reputation for professionalism. The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the ongoing reorganization of the National Police, scheduled for completion in 2018, will enhance the flexibility and effectiveness of law enforcement in responding to money laundering cases. The police closely cooperate with the Dutch Tax Authority's investigative service. The Anti-Money Laundering Center, established in 2013, combines expertise from government agencies, such as the FIU, the National Police, the Tax Authority, knowledge institutions, private sector partners, and international organizations. Seizing financial assets of criminals continues to be a priority for law enforcement.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears "unusual" (applying a broader standard than "suspicious"), or when there is reason to believe a transaction is connected with money laundering. 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. The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold. Instead, different thresholds apply to various specific transactions, products, and sectors. In 2015, the latest year for which data was available, the courts convicted 1,168 persons for money laundering.

On April 26, 2017, a district court in Utrecht sentenced a man to 30 months in prison for his part in a criminal organization that conducted underground banking. He transferred large sums of cash between anonymous third parties without keeping records. The court determined he handled between U.S. \$9 and U.S. \$11 million. Two accomplices were also convicted, but not for membership in the organization.

## **Nicaragua**

### **OVERVIEW**

The Republic of Nicaragua is not a regional financial center but remains vulnerable to money laundering as the country continues to be a transshipment route for illegal drugs destined for the United States and illicit proceeds returning to South America.

Nicaragua has addressed legislative and regulatory issues and dedicated efforts to address numerous noted weaknesses. The 2016 expansion of the list of entities subject to KYC and STR requirements to include non-bank financial institutions and capacity-building activities focused on prevention and assessment of risks have brought Nicaragua's regulations closer to international standards.

To further capitalize on its existing legislative and regulatory framework, Nicaragua should focus on improving its effectiveness at identifying and investigating cases and enforcing information exchange agreements with other nations.

Nicaragua's close relationship with Venezuela, high unemployment, heavy dependence on informal economic sectors, weak governmental institutions, significant reports of corruption at all levels, and the lack of rule of law are of major concern.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering proceeds mainly arise from corruption or international organized crime groups engaging in the sale of illegal narcotics, most notably cocaine. Nicaragua's geography and limited border control in remote regions leaves it vulnerable to cross-border movement of contraband and criminal proceeds. Money laundering occurs via traditional mechanisms such as real estate transactions, sale of vehicles, livestock farming, money transfers, lending, and serial small transactions. There are 212 companies operating under FTZ status in Nicaragua. The National Free Trade Zone Commission, a government agency, regulates FTZ activities.

The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for visa-free movement of citizens of these countries across their respective borders; however, these persons can be subject to immigration or customs inspections. Nevertheless, this agreement makes each participating country vulnerable to the cross-border movement of contraband and criminal proceeds.

There is evidence of informal “cash-and-carry” networks for delivering remittances from abroad. Subject matter experts assess the black market for smuggled goods in Nicaragua is larger than officially recognized. Market vendors deal in cash and many of the goods sold by these vendors are stolen. Experts also believe service businesses, such as hotels, restaurants, and casinos, are particularly vulnerable to money laundering.

Nicaragua’s vulnerability to money laundering is increased by the proliferation of shell companies and the existence of multiple, nontransparent quasi-public businesses with ties to the ruling party that manage large cash transactions.

Corruption and impunity cases include local officials and community leaders accused of collaborating with narcotics traffickers and organized crime entities. The courts remain particularly susceptible to bribes, manipulation, and other forms of corruption.

The Nicaraguan government strongly supports Venezuelan president Maduro and has accepted approximately U.S. \$3.6 billion from Venezuela since 2007. OFAC-sanctioned Venezuelan petroleum firm Petroleum of Venezuela S.A owns 51 percent of Nicaraguan conglomerate Albanisa.

### **KEY AML LAWS AND REGULATIONS**

Nicaragua has records exchange mechanisms in place with other nations.

Covered entities, including financial and non-bank financial institutions, follow comprehensive KYC and STR regulations and reporting procedures and have enhanced due diligence procedures in place for domestic and foreign PEPs. Criminalization of predicate crimes for money laundering employs an “all serious crimes” approach in which legal persons are covered.

In September 2017, the National Assembly amended Law 735 related to the prevention and prosecution of organized crime and the administration of confiscated and abandoned goods proceeding from organized crime. The amendments protect the rights of bona fide third parties acting in good faith when freezing funds or assets proceeding from crime.

Nicaragua is a member of GAFILAT, a FATF-style regional body. Nicaragua’s most recent MER can be found at: <http://www.uaf.gob.ni/index.php/difusion/evaluaciones-a-nicaragua>.

### **AML DEFICIENCIES**

Weak governmental institutions, deficiencies in the rule of law, and corruption concerns should be addressed. The Nicaraguan legal framework should be further strengthened by considering identity falsification, counterfeiting, and piracy as predicate offenses for money laundering. Without this inclusion, apprehended criminals using these means explicitly to launder money can only be tried for lesser crimes and are not deterred from continuing their laundering activities.

Financial institutions should continue to strengthen their mechanisms to identify and keep records on the origin of funds and final beneficiaries, implement early detection systems, analyze

suspicious activities, and report these activities to the FIU. There are regional investigations with indications of illicit flows of money permeating the banking system.

Nicaragua applied for Egmont membership in 2014 and the application remains pending.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2017, according to data from the FIU, the Government of Nicaragua conducted 10 investigations, prosecuted nine money laundering-related cases, obtained two convictions, and seized over U.S. \$3 million. There are high-profile examples of corruption allegations, but with no action apparently taken.

## **Nigeria**

### **OVERVIEW**

Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Corrupt officials and businessmen, criminal and terrorist organizations, and internet fraudsters take advantage of the country's location, porous borders, weak laws, endemic corruption, inadequate law enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive partly from foreign drug trafficking and other illegal activities, including illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, and financial crimes. There is growing evidence to suggest that cyber criminals are increasingly adopting digital currencies, such as bitcoin, to facilitate illicit money laundering. Public corruption is also a significant source of laundered criminal proceeds. International advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime.

Nigeria should pass and implement legislation that ensures the operational autonomy of the Nigeria Financial Intelligence Unit (NFIU), promotes the efficient recovery of criminal proceeds, and provides for mutual legal assistance in accordance with international standards. Nigeria should improve cooperation among the various law enforcement agencies that investigate financial crimes. Nigeria should also review its safe harbor provisions to ensure they are in line with international standards and consider developing a cadre of trained judges with dedicated areas of expertise to process financial crimes cases effectively. Finally, Nigeria should strengthen its Federal Ministry of Justice Central Authority Unit, which handles international cooperation in the areas of extradition and mutual legal assistance.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Nigerian financial institutions appear conscientious in submitting CTRs to the relevant authorities. The high volume of those reports and the cash-based nature of the Nigerian economy make it difficult for the government to detect suspicious activity. Nigeria's oil industry, which generates up to 70 percent of government revenues, has long been caught up in corruption and mismanagement under successive governments. In 2016, President Buhari

implemented several transparency measures, such as requiring all government entities, including the Nigerian National Petroleum Corporation, to remit nearly all revenues to a Treasury Single Account (TSA). The implementation and enforcement of the TSA and the Government Integrated Financial Management Information System are intended to make government revenue collection and expenditures more streamlined and transparent.

The Economic and Financial Crimes Commission (EFCC) is Nigeria's leading money laundering investigative agency. With little prosecutor involvement, EFCC investigators usually over-rely on conducting investigations by confession. The challenge of collecting admissible evidence in money laundering cases often requires a combination of cooperation between U.S. and Nigerian law enforcement agencies and the use of formal mechanisms for mutual legal assistance. The United States and Nigeria are parties to various multilateral conventions that contain mutual legal assistance provisions, as well as a bilateral MLAT.

### **KEY AML LAWS AND REGULATIONS**

Nigeria is making slow progress in adopting legislation promoting AML laws and regulations. Nigeria has KYC rules and STR regulations. In Nigeria, legal persons are covered criminally and civilly. Nigerian law also provides for enhanced due diligence for both foreign and domestic PEPs.

At the July 2017 Plenary of the Egmont Group, the group decided to suspend the NFIU following repeated failures to address concerns regarding a lack of clear protocols for the protection of confidential information and over concerns of the NFIU's lack of operational independence from the EFCC. In part as a result, the Nigerian Senate passed a bill to establish the NFIU as an independent agency.

Nigeria is a member of the GIABA, a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Nigeria.html>.

### **AML DEFICIENCIES**

Financial institutions in Nigeria engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency. The proliferation of cryptocurrency exchanges in Nigeria and the campaign for investment schemes in digital currency pose challenges for the investigation and prosecution of money laundering crimes.

The NFIU's suspension from the Egmont Group significantly impairs the NFIU's ability to share information with foreign FIU counterparts. Nigeria is currently not subject to any U.S. or other international sanctions and penalties.

Several pieces of legislation continue to await approval, including some addressing FIU and asset recovery matters. In particular, there has been little movement on a draft mutual legal assistance bill, pending in the National Assembly since 2015.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

While Nigeria passed a bill to strengthen its AML regime in May 2017, it continues to struggle with the investigation and prosecution of money laundering. Over the past year, the EFCC aggressively investigated high-profile money laundering cases. However, EFCC conviction rates continue to be low due to gaps in the judicial system that cause cases to languish for long periods of time without resolution. Notably, in September 2017, Chief Justice of Nigeria Walter Onnoghen called for the creation of special courts dedicated to the timely adjudication of cases related to corruption and financial crimes.

## **Pakistan**

### **OVERVIEW**

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 to overseas markets. Significant money laundering predicates in the country include tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorist financing. The black market, informal financial system, and permissive security environment generate substantial demand for money laundering and illicit financial services.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering in Pakistan affects both the formal and informal financial systems. The Pakistan-Afghanistan border is largely unregulated, which facilitates the flow of illicit goods and monies into and out of Pakistan. Due to their distance from urban centers and the lack of comprehensive regulatory oversight, border areas - such as the jurisdiction of Chaman and the Torkham Gate area - see illicit financial activity by terrorist organizations and insurgent groups, such as money laundering by the Taliban. In fiscal year 2017, the Pakistani diaspora remitted U.S. \$19.3 billion back to Pakistan via the formal banking sector, up a modest 1.4 percent from the previous year. Though it is illegal to operate a hawala or hundi without a license in Pakistan, the practices remain prevalent due to a lack of access to the formal banking sector, poor supervision and regulation, and a lack of penalties levied against illegally operating businesses. Unlicensed hawala/hundi operators are also common throughout the broader region and are widely used to transfer and launder illicit money through neighboring countries.

Common methods for transferring illicit funds include fraudulent trade invoicing; MSBs, to include unlicensed hundis and hawalas; and bulk cash smuggling. Criminals exploit import/export firms, front businesses, and the charitable sector to carry out illicit activities. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be poorly documented and cash-based.

Additionally, the Altaf Khanani money laundering organization (Khanani MLO) is based in Pakistan. The group, which was designated a transnational organized crime group by the United States in November 2015, facilitates illicit money movement globally and is responsible for

laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers third-party money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with designated terrorist organizations. Altaf Khanani plead guilty in the United States to money laundering conspiracy charges and was sentenced in March 2017 to 68 months in prison.

### **KEY AML LAWS AND REGULATIONS**

In January 2015, Pakistan issued its National Action Plan (NAP), primarily addressing counter-terrorist financing. Despite frequent calls by the international community for the plan's implementation, the NAP yields mixed results, remains largely non-operational, and lacks the support of institutional capacity and political will for its implementation.

Pakistan is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>.

### **AML DEFICIENCIES**

Unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Chaman, Peshawar, and Karachi. In addition, bulk cash smuggling continues to be a problem, with authorities failing to implement adequate control measures at borders and airports. Moreover, there have been instances of staff of Pakistan's national airline (Pakistan International Airlines) being involved in bulk cash smuggling.

Pakistan's FIU forwards a limited number of STRs to Pakistan's Federal Investigation Agency (FIA), the agency responsible for investigating money laundering cases. In turn, the FIA lacks the capacity and resources to pursue financial investigations.

Pakistan's FIU is not a member of the Egmont Group.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The United States and Pakistan do not have a MLAT but are parties to multilateral conventions that include provisions for assistance. Extradition between the United States and Pakistan is governed by the 1931 U.S.-U.K. Extradition Treaty.

In recent years, the Government of Pakistan has taken steps to address technical compliance with international AML standards; however, deficiencies remain in their implementation. Pakistani authorities should investigate and prosecute money laundering (in addition to the predicate offense creating the laundered proceeds). The Government of Pakistan should demonstrate effective regulation over exchange companies; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan also should design and publicly release metrics that track progress in combating money laundering, such as the number of financial intelligence reports received by its FIU and the annual number of money laundering indictments, prosecutions, and convictions. Pakistani law enforcement and customs

authorities should address TBML and value transfer, particularly as it forms the basis for account-settling between hawaladars.

## **Panama**

### **OVERVIEW**

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics hub; and favorable corporate and tax laws render it attractive for exploitation by money launderers. Panama passed comprehensive AML legal reforms in late 2015, and has made important progress in implementing these reforms, but more work needs to be done, for example, in investigating and successfully prosecuting complex money laundering schemes. The release of the "Panama Papers" and the U.S. Treasury's designation of the Waked Money Laundering Organization as a Specially Designated Narcotics Trafficker in 2016 exposed vulnerabilities in Panama's financial transparency regime.

In January 2017, Panama's National Commission on AML/CFT published its first national risk assessment, which identifies FTZs, real estate, construction, lawyers, and banks as "high risk" sectors. Reflecting the government's strong commitment to address these concerns, in May 2017, Panama released a supplemental National Strategy Report, which outlines 34 strategic priorities across five functional pillars to be pursued by 17 governmental institutions to improve its AML/CFT regime through 2019.

In August 2017, Panama reached a U.S. \$220 million plea agreement with Brazilian construction company Odebrecht, which admitted to paying U.S. \$59 million in government bribes from 2010-2014 to secure public works projects.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundered in Panama primarily comes from illegal activities committed abroad, including drug trafficking, tax crimes, and smuggling. Panama is a drug transshipment country due to its location along major trafficking routes. Despite concerted efforts, numerous factors hinder Panama's fight against money laundering, including inexperience with money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, corruption, and an under-resourced judicial system.

Criminals launder money via bulk cash smuggling and trade at airports, seaports, through shell companies, and the 12 active FTZs. There is a high risk that legal entities and arrangements created and registered in Panama, such as corporations, private foundations, and trusts, can be misused to launder funds, especially from foreign predicate crimes. Law firms and registered agents are key gatekeepers and are now subject to mitigation measures; however, the use of nominee shareholders and directors is still prevalent.

### **KEY AML LAWS AND REGULATIONS**

Panama has improved its legal framework's compliance with international standards for AML prevention, enforcement, and international cooperation. Panama has comprehensive CDD and STR requirements. Law 23 of 2015 criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. The *Intendencia* is responsible for administrative supervision and regulation of non-financial obligors and professionals subject to supervision. The *Intendencia* oversees the AML compliance of over 12,000 DNFBPs across 11 broad sectorial categories, including the Colon Free Zone (CFZ), the second largest FTZ in the world. In 2017, the *Intendencia* also assumed oversight of MSBs and remitters and enacted stricter oversight of foundations and non-profits. As of 2016, Panama banned the issuance of new bearer shares; companies with remaining bearer shares must appoint a custodian and maintain strict controls over their use.

In 2016, the FIU launched a website for entities to submit STRs and CTRs. The FIU has registered thousands of entities and is receiving reports online, although not yet from all reporting entities.

Panama is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf>.

### **AML DEFICIENCIES**

The government has increased its training and outreach; however, entities often submit inconsistent, incomplete, or unnecessary STRs or CTRs. Bank compliance officers often include minimal analysis in STRs, fearing liability; some notify clients and/or bank executives and directors about investigations. Panama has no tipping off law to criminalize such acts.

The government has increased support to regulators. However, Panama continues to lack sufficient resources, including trained staff with industry experience to effectively monitor whether entities (particularly DNFBPs) comply with reporting requirements. Regulators cannot access STRs/CTRs due to confidentiality laws.

The FIU should improve the quality of its STR analysis. The FIU also should shorten its response times to foreign counterparts and improve the quality of its requests for information to those counterparts, so that information exchanges and collaboration on significant cases can be expedited. Elevating the FIU to independent agency status would further insulate it from outside influence.

The CFZ remains vulnerable to illicit financial and trade activities, due to weak customs enforcement and limited oversight of transactions.

Panama does not yet criminalize nor list tax evasion as a predicate crime but is considering legislation to do so in 2018.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Panama completed the transition to a U.S.-style accusatory penal system in September 2016 but prosecutors lack experience and effectiveness under the new system, as the majority of the cases they prosecute are under the old system. Panama does not accurately track criminal prosecutions and convictions related to money laundering. Law enforcement needs more tools and protection to conduct long-term, complex financial investigations, including undercover operations. The criminal justice system remains at risk for corruption.

In 2013, the Government of Panama and the United States signed an agreement creating a bilateral committee to allocate U.S. \$36 million in forfeited assets. More than half this amount has been applied to strengthening Panama's AML framework.

## **Paraguay**

### **OVERVIEW**

Paraguay continues a strong trajectory of economic growth, expected to again surpass 4 percent in 2017 – outpacing neighbors in the region. Transnational criminal organizations use Paraguay for the large-scale cultivation and processing of marijuana and the processing and transit of Andean cocaine. The Tri-Border Area (TBA), comprising the shared border area of Paraguay, Argentina, and Brazil, is home to a multi-billion dollar contraband trade that facilitates significant money laundering in Paraguay. The government of Paraguay has worked to reduce the criminal use of Paraguay's financial system to launder illicit proceeds by taking steps to address corruption, eliminate bureaucratic inefficiencies, and enhance interagency coordination; however, these efforts have not yet produced substantial results.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering occurs in both financial institutions and the non-bank financial sector; vulnerabilities include a large number of unregistered exchange houses, a primarily cash-based economy, lax regulation of import-export businesses and casinos, weak border controls, and insufficient oversight of a high volume of money transfers to Lebanon and China. While some launderers leverage inconsistent enforcement to electronically move money, others take advantage of ineffective border controls to physically transport cash across TBA borders.

Trade in Ciudad del Este and other towns along Paraguay's borders with Brazil and Argentina is characterized by a high degree of informality, and TBML occurs in the region. The area is known for narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the high volume of licit and illicit trade fueling TBML. Smugglers move a broad variety of products either produced in Paraguay or imported into Paraguay, to Brazil and Argentina. Criminal organizations launder proceeds from smuggling and often co-opt government officials through bribery to maintain their ability to continue.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina, Brazil, Chile, and Uruguay.

## **KEY AML LAWS AND REGULATIONS**

In 2017, Paraguay enacted important legislation outlawing bearer bonds and authorizing the creation of an agency to administer seized and forfeited assets. As of December 2017, Paraguay is drafting implementing regulations and must fund the new agency.

Paraguay has KYC and STR regulations applying to a wide range of entities, and authorities are developing a project to unify and update money laundering prevention regulations. Paraguayan legislation covers legal persons and requires enhanced due diligence for PEPs.

There is no bilateral MLAT between Paraguay and the United States; however, both are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at:

[http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Paraguay\\_3era\\_Ronda\\_2008.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf).

## **AML DEFICIENCIES**

Paraguay is not subject to any international sanctions. Paraguay struggles to investigate and prosecute complex money laundering cases, in part because of a disjointed AML regime and lack of interagency cooperation. The Taxation Secretariat (SET) focuses on tax evasion cases, but lacks access to the Anti-Money Laundering Secretariat (SEPRELAD) and banking information. SEPRELAD lacks resources, though it does refer STRs to SET and Customs when appropriate. Prosecutors often treat SEPRELAD analytic reports as evidence, and therefore publicly releasable, rather than protect them as intelligence. Though the Central Bank of Paraguay (BCP) has authority to supervise banks for money laundering compliance (independent of SEPRELAD), the sanctioning regime is not effective. To address these deficiencies, the government's interagency financial crimes working group is seeking to enhance coordination on AML issues among these actors. The Paraguayan government, through long-term engagement with international donors, is also working to improve its AML regime and implement its strategic plan.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Paraguay continues to take steps to implement the 1988 UN Drug Convention and international AML standards. During the first nine months of 2017, Paraguay convicted four persons (compared to five in all of 2016) and presented three cases for prosecution (equal to all of 2016). Meanwhile, large-scale money laundering cases, including the Forex and Megalavado cases worth a combined estimated U.S. \$1.8 billion, are not advancing in the judicial system, in part due to defense-initiated, though legal, recusals and procedural delays. Criminal cases against eight Forex bank officials are likely to be dismissed in early 2018 after the statute of limitation expires – after six years without preliminary hearings.

Current regulations lack effective implementation. For example, SEPRELAD and the BCP have different interpretations of Paraguayan law regarding when STRs should be submitted. Many STRs are poorly written and do not contain actionable information. Approximately 80 percent of the 8,000 STRs submitted to SEPRELAD during the first nine months of 2017 lacked information of value from a financial intelligence perspective. SEPRELAD conducts outreach to reporting entities to improve STR quality and could enhance its analysis of financial intelligence by gaining access to Customs, SET, and BCP information.

## **Peru**

### **OVERVIEW**

Peru implemented important regulatory and legislative reforms and enhanced interagency cooperation in 2017. The government secured legislation enabling improved access to bank and tax information and issued regulations assigning criminal responsibility to legal persons for corruption.

The autonomous FIU completed national risk assessments of the mining and fishing sectors, with assessments of the financial and logging sectors in process. The Government of Peru issued a strategic National AML/CFT Strategy, and the Multisectorial Executive Commission Against Money Laundering and the Financing of Terrorism (CONTRALAFT) is developing a National AML/CFT Plan to implement the Strategy.

Interagency communication improved with a better-defined role for CONTRALAFT. When a new Minister of Justice and Human Rights was appointed in September, there was also a change in CONTRALAFT's leadership; however, the FIU, as the Executive Secretariat of the institution, ensured its operations continued. The Bank Supervisory Authority and the Tax and Customs Authority initiated an interagency agreement on information exchange and cooperation.

Peru is working to improve data and statistics on money laundering; for example, the national registry can now provide family tree information to assist investigations. However, the country must strengthen prosecutorial and judicial capacity and increase convictions to continue to build an effective AML regime.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Peru's national risk assessment identified five primary threats: narcotics trafficking; remnants of the Shining Path terrorist organization; increased public corruption; increased incidences of illegal mining, illegal logging, trafficking in persons, contraband, extortion, and contract killing; and high criminality in neighboring countries.

Significant vulnerabilities include extensive porous borders with countries with high levels of transnational crime, tolerance for public corruption, an extensive informal economy, limited reach of the state in some areas, poor controls over cash transfers, limited investigative capacity, and poor coordination between prosecutors and investigators.

Illicit funds are generated from a variety of illegal activities, including narcotics trafficking, public corruption, illegal gold mining, illegal logging, trafficking in persons, and counterfeiting and piracy of goods. Illegal gold mining, illegal logging, and counterfeiting are closely tied to the narcotics industry. Illegally mined gold is used as a medium for money laundering. Gold purchased using illicit revenue is imported into the United States with little oversight as gold is not a negotiable financial instrument. The FIU identified at least U.S. \$4.4 billion in suspicious revenue associated with illegal mining over the last decade. The illegal gold trade in Peru is worth an estimated U.S. \$2.6 billion per year.

Pervasive corruption hampers investigations and prosecutions of narcotics-related money laundering crimes. Judicial corruption halts progress of cases and threatens the regime. Political figures and legislators have been implicated in money laundering, creating an impediment to progress on reform. Corruption within the police force also constrains investigations.

The FIU cannot directly monitor or investigate casinos independent of the supervising authority, the Ministry of Foreign Trade and Tourism (MINCETUR), which provides information to the FIU and requires casinos to report suspicious transactions. Peru's risk assessment did not identify casinos as primary money laundering risks.

Criminal organizations increasingly launder proceeds from criminal activity (U.S. \$140 million in 2016), partially by taking advantage of weak currency declaration laws.

### **KEY AML LAWS AND REGULATIONS**

Peru has a robust legislative and regulatory framework for AML. New legislation makes notaries nationwide subject to improved reporting mechanisms.

Peru is able to exchange information on narcotics investigations with foreign counterparts.

Peru is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.gafilat.org/content/biblioteca/>.

### **AML DEFICIENCIES**

Peru's national plan aims to strengthen its AML/CFT regime. Peru receives technical assistance from several donors to this aim.

Money exchangers are not licensed, limiting supervision. Peru should seek to pass legislation requiring the identification of ultimate beneficial owners. The government is also aware it must increase attention to and regulation of online threats from gaming and illicit online activity, such as pharmacies and movie/music streaming.

A Supreme Court jurisprudence commission issued corrective guidance following a Supreme Court judge's decision that undermined a law allowing money laundering to be prosecuted as an autonomous crime without proof of a predicate crime. Strong government and Supreme Court

responses to the rogue decision strengthened Peru's AML regime. Judicial corruption remains a liability.

Peru's AML agencies also need to increase focus on non-traditional avenues through which narcotics and transnational crime revenues are laundered, for example, illegally mined gold and counterfeit goods.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Peru does not secure enough money laundering convictions given the scale of illicit activity and revenue in the country. Improved political will must translate into more prosecutions and subsequent convictions to deter money laundering. This will require both increased personnel resources and enhanced capacity to develop and prosecute cases, especially as Peru continues its transition to the accusatory legal system. Areas of focus include: conducting investigations; improved financial forensic analysis; investigative and intelligence reporting for prosecutors; case development and presentation by prosecutors; and judicial money laundering awareness. The government won 22 asset forfeiture cases in 2017, but should seize assets before accusing or arresting individuals to ensure assets are not liquidated or obscured.

## **Philippines**

### **OVERVIEW**

The Republic of the Philippines is well integrated into the international financial system. Money laundering is a serious concern due to the Philippines' strategic location within international trafficking routes, public corruption, and the volume of remittances from Filipinos living abroad. Key gaps in the Philippines' AML regime include weak supervision over DNFBPs and strict bank secrecy laws. During the reporting period, the Bangko Sentral ng Pilipinas (BSP) added regulations to improve oversight over MSBs. BSP hopes to formalize these regulations through pending legislative amendments to its charter.

The Philippines requires continued enhancement of investigation, interagency cooperation, and prosecution capabilities to keep pace with current money laundering trends. Money laundering alone is not a criminal act in the Philippines and requires a predicate crime, creating a challenge for investigators targeting transnational criminal organizations.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The 2017 national risk assessment identifies drug trafficking, graft and corruption, investment scams, smuggling, tax evasion, intellectual property violations, environmental crimes, and illegal arms trafficking as the high-threat predicate crimes for money laundering. Illicit funds are primarily channeled through the banking sector. The inaccurate invoicing of foreign trade has also been cited as a significant money laundering mechanism. NPOs, dummy corporations, casinos, and MSBs are other venues for laundering money.

The Anti-Money Laundering Council (AMLC), the Philippines' FIU, works closely with the Philippine Drug Enforcement Agency (PDEA), the National Police (NP), and other government agencies to conduct financial investigations and to trace drug-related proceeds. In 2017, the AMLC issued five drug-related freeze orders valued at U.S. \$14.2 million.

The Philippine Economic Zone Authority (PEZA) oversees approximately 300 economic zones, most of which are well regulated. However, local government units and development authorities regulate multiple other free zones or freeports where smuggling can be a problem. Due to separate authorities of the security and customs officials monitoring these zones, the NP or PDEA faces difficulty targeting organizations operating within them.

### **KEY AML LAWS AND REGULATIONS**

KYC and STR provisions in the AML law and its implementing rules and regulations substantially meet international standards. Responding to international pressure, President Duterte signed Republic Act (RA) 10927, amending the 2001 Anti-Money Laundering Act (AMLA) to include casinos under the law. Proposed amendments to the BSP charter seek to explicitly provide the central bank supervisory authority, including AML enforcement authority, over non-bank financial entities, including all MSBs.

Following the 2016 heist in which hackers diverted U.S. \$80 million in assets from Bangladesh's central bank through accounts in the Philippines, in January 2017, the BSP issued Circular 942, providing an updated framework for BSP oversight over MSBs. Circular 942 strengthens the registration, operations, and reporting obligations of MSBs. Among others, it requires them to register with the BSP and the AMLC in order to operate, and agree to abide by BSP and AML regulations. The BSP also issued Circular 944, governing the operations and reporting obligations of the growing virtual currency exchange market. BSP Circular 950 updates AML guidelines for BSP-supervised entities and sanctions and penalties for non-compliance. During 2017, the Philippines implemented the 2016 Revised Implementing Rules and Regulations of RA 9160, which includes additional CDD requirements and stricter documentation obligations.

The Philippines and the United States have entered into a bilateral MLAT.

The Philippines is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

### **AML DEFICIENCIES**

The current AML regime does not cover certain entities and omits some predicate crimes for money laundering. For example, real estate dealers/brokers/agents and dealers in other high-value assets, such as automobiles, art, and antiques, are not covered entities. Tax evasion, falsification of public documents, and non-currency forgeries are not listed as predicate crimes.

Although the AMLA now covers casinos, ongoing deficiencies include the high (U.S. \$100,000) single-transaction reporting threshold, the non-inclusion of junket operators as covered entities, and the exclusion of non-cash transactions for AML reporting purposes. Furthermore, the Philippines

currently allows proxy gambling, a practice that permits a gambler to place bets via telephone or the internet rather than going into a casino. Additionally, the government-owned Philippine Amusement and Gaming Corporation plays a dual role as both a gaming establishments operator and the licensor/regulator of the Philippines' rapidly expanding gaming industry, raising conflict-of-interest issues.

The non-profit sector remains virtually unregulated for AML purposes. There is no single supervisory authority and monitoring is weak due to insufficient coordination and limited regulatory resources.

Bank secrecy laws also present obstacles for the AMLC when conducting money laundering investigations. As a result, accounts are often emptied before a freeze order goes into effect.

CDD requirements include enhanced due diligence for PEPs, their families, and associates assessed as high-risk for money laundering.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

While the Philippines has made progress enacting legislation and issuing regulations, limited human and financial resources and inadequate technical capacity constrain tighter monitoring, enforcement, and prosecution. Statistics suggest coordination among the AMLC and law enforcement agencies needs improvement. Only 16 money laundering cases were filed during 2017.

The AMLC has pushed for broader amendments to the AMLA to help address technical gaps and operational constraints.

## **Portugal**

### **OVERVIEW**

Portugal has AML laws and enforcement mechanisms that meet international standards and has taken steps in 2017 to further improve AML legislation. The majority of money laundered in Portugal is narcotics-related, according to Portuguese officials, who have noted significant criminal proceeds also come from corruption, trafficking in works of art and cultural artifacts, extortion, embezzlement, tax offenses, smuggling, prostitution, organized crime, gambling, and aiding or facilitating illegal immigration. Suspicious funds from Angola continue to be used to purchase Portuguese businesses and real estate. Portugal has taken steps throughout 2017 to strengthen its AML legislation; new laws decrease the size of payments that can legally be made in cash, create a national registry of transaction recipients, and compel attorneys to report suspected money laundering activities to authorities. In late 2017, Portugal proposed laws relaxing bank secrecy and allowing tax inspectors access to information on bank accounts suspected of being affiliated with money laundering.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Portugal is a transit point for narcotics entering Europe. Portugal's long coastline, vast territorial waters, and privileged relationships with countries in South America and Lusophone Africa make it a gateway country for South American cocaine and a transshipment point for drugs coming to Europe from West Africa. Portugal has a significant number of dual-nationals who move wealth between Angola and Portugal.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The State Secretary for Tourism supervises and monitors casinos. Portuguese authorities legalized online casinos in 2015.

### **KEY AML LAWS AND REGULATIONS**

Portugal has a comprehensive AML enforcement mechanism which conforms to European Union and 1988 UN Drug Convention and UNTOC standards. Money laundering is a criminal offense. Banks are held to reporting standards by the Bank of Portugal and the Securities Market Commission. Banks adhere to KYC and STR regulations.

Portugal's FIU operates independently as a department of the Portuguese Judicial Police. The FIU is responsible for gathering and publishing information pertaining to AML and tax crimes investigations, as well as coordinating with other judicial authorities.

Portugal is a member of the FATF. Its most recent MER can be found at:  
<http://www.fatf-gafi.org/countries/n-r/portugal/documents/mutualevaluationofportugal.html>.

### **AML DEFICIENCIES**

Portugal has no major deficiencies in its AML enforcement apparatus.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code provides for criminal corporate liability for white-collar crimes, money laundering, crimes against public health, cybercrime, and certain other crimes.

## **Russian Federation**

### **OVERVIEW**

In 2017, Russia strove to improve its AML/CFT legal and enforcement framework, updating and amending various laws focused on AML/CFT to improve their efficacy. While money laundering remains a major problem in Russia, official data show some progress when compared to prior years. The Central Bank of Russia (CBR) estimates losses to Russia - through what the

CBR terms “fictitious transactions” - amounted to U.S. \$771 million in 2016 and U.S. \$523 million in the first half of 2017. Fictitious transactions include “remittances of funds abroad by means of fictitious transactions with securities, granted loans, and on foreign accounts.” Financial crimes cases composed more than 76 percent of all closed criminal cases in Russia in 2016, up from 72 percent in 2015.

### **VULNERABILITIES**

Official corruption remains a problem at all levels of government and is a major source of laundered funds. Cybercrime remains a significant problem, and Russian hackers and organized crime structures continue to work together.

Russia is a transit and destination country for international narcotics traffickers. Criminal elements use Russia’s financial system and foreign legal entities to launder money. Criminals invest in and launder their proceeds through securities instruments, digital currencies, precious metals, domestic and foreign real estate, and luxury consumer goods.

There is a large migrant worker population in Russia. Many remittances may occur through informal value transfer systems that may pose vulnerabilities for money laundering.

Russia has continued to encourage domestic development of Blockchain-based technologies and innovations. This has created the potential for abuse of cryptocurrencies for money laundering. In September 2017, the CBR issued a warning about the possible risks of cryptocurrencies.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies. Rosfinmonitoring, Russia’s FIU, has been designated as the competent AML authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring. Online gaming is prohibited.

### **KEY AML LAWS AND REGULATIONS**

Government control of the financial sector, covering KYC and STR requirements, is enshrined in legislation. Laws control foreign currency transactions by non-profit organizations, foreign states, and international and foreign organizations; opening of banking accounts; use of letters of credit for defense and strategic industries; and definitions of AML-covered entities. Rosfinmonitoring requires individuals trading in commodity or financial markets to provide information upon request, and mandates notification of the opening, closing, or changing of details of any accounts or letters of credit by companies of “strategic importance to the Russian Federation.” The law “On Combating Money Laundering and Terrorist Financing” entered into force in February 2002. The government amended the law seven times in 2016 and once in 2017.

The 2017 amendment ensures that strategic companies, strategic federal unitary enterprises (government-owned corporations), and state companies notify Rosfinmonitoring if they open overseas accounts or letters of credit or acquire an ownership interest in foreign banks. It also lowers the threshold to make such companies subject to AML requirements if their operations

exceed around U.S. \$170,000, as opposed to the previous threshold of around U.S. \$850,000.

Russia is a member of the FATF and two FATF-style regional bodies, MONEYVAL and EAG. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationoftherussianfederation.html>

.

### **AML DEFICIENCIES**

Although the U.S. and Russia are parties to a bilateral MLAT, cooperation under the MLAT is often ineffective.

Russian individuals and businesses complicit in, or engaged in activities related to, the purported annexation of Crimea are potentially subject to a range of U.S. sanctions. The most recent round of U.S. sanctions was signed into law in August 2017. In a move intended to hinder sanctions enforcement, Russia no longer regularly updates information previously available in English on Russian government websites, including Rosfinmonitoring, which now publishes a fraction of the information it previously did.

There is no criminal liability for legal persons in Russia. A bill providing for criminal liability has been stalled in the Duma since 2015, following a negative review of the bill by the government.

Changes to Russian law may also have created vulnerabilities rather than closing them. PEPs are subject to less stringent reporting requirements for foreign currency transactions. At the same time, as of December 2016, state officials have been banned from owning securities or other financial assets located or registered abroad through third parties.

### **ENFORCEMENT/IMPLEMENTATION ISSUES**

In May 2016, Russia signed the Multilateral Competent Authority Agreement (MCAA) on the automatic exchange of financial information, with the first information exchange scheduled to start by September 2018.

In 2016, Rosfinmonitoring prevented the embezzlement of more than U.S. \$2 billion worth of public funds and recovered more than U.S. \$800 million worth of public funds. The CBR revoked 93 bank licenses in 2016 and at least 18 bank licenses in 2017, primarily for suspicious transactions. In March 2017, the CBR revoked the license of Tatfondbank, a major lender based in Tatarstan.

In March 2017, reporting by investigative journalists revealed that laundered Russian money, totaling nearly U.S. \$740 million, has passed through Moldovan, Latvian, British, and U.S. banks since 2010 in a scheme called the “Russian laundromat.” Around 500 people and 70,000 banking transactions are thought to have been involved.

## Senegal

### OVERVIEW

Senegal serves as a regional business center for Francophone West Africa and hosts the headquarters of the central bank for the eight-member West African Economic and Monetary Union (WAEMU). As a result, Senegal is exposed to risks from organized crime, drug trafficking, internet fraud, bank and deposit fraud, and Ponzi schemes. No major changes in money laundering trends emerged in 2017. Senegal's most important vulnerabilities to money laundering arise via bank transfers to offshore accounts in tax havens and real estate transactions conducted with cash. Corruption is a significant concern within government institutions and the private sector.

The Government of Senegal continues to build its proficiency to prevent and investigate financial crimes. Training for law enforcement officers, prosecutors, and judges on the investigation and prosecution of money laundering is essential. Drafting and enacting a non-conviction-based forfeiture law to allow assets to be seized in the absence of criminal charges would serve as a deterrent to trafficking and money laundering activity. Senegal also needs legislation on the management, storage, and disposal of seized property.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

Corruption and drug trafficking are the most likely sources of laundered financial proceeds. Money is often laundered via cash purchases of real estate and bank transfers through Senegalese financial institutions to offshore tax havens.

According to a World Bank survey, only 15 percent of Senegalese adults owned bank accounts in 2014. As a result, most transactions involve cash, including purchases of real estate and financing of construction, presenting opportunities for laundering illicit funds. Documentation of real estate ownership is both scarce and unreliable. Transfers of real property are often opaque. The government can reduce vulnerabilities to money laundering by improving the system of land administration.

Touba, located in the central region of Senegal, is an autonomous municipality under the jurisdiction of the Mouride religious brotherhood. As the focal point of a worldwide network of Mouride communities, a significant portion of the remittances Senegalese abroad send home each year is destined for Touba. Estimates of formal remittance flows to Senegal exceed U.S. \$1 billion annually; the total flow of remittances is likely to be much larger. These facts, and the national government's limited authority in the city, make Touba vulnerable to TBML. Other areas of concern include the transport of cash, gold, and other items of value through Senegal's international airport and across its porous borders. The widespread use of cash and money transfer services, including informal channels (hawaladars), and new payment methods also contribute to money laundering vulnerabilities. Mobile payment systems such as Wari, Joni-Joni, and Western Union cater to the needs of the unbanked Senegalese, but are not always subject to enforcement of AML controls due primarily to resource constraints.

## **KEY AML LAWS AND REGULATIONS**

Senegal did not enact new laws or regulations on money laundering in 2017. The government is considering new legislation on the management, storage, and disposal of seized property. Senegal is not subject to U.S. or international sanctions or penalties.

The Central Bank of West African States (BCEAO) regulates banks within the eight WAEMU countries. The BCEAO prescribes KYC practices for WAEMU financial institutions. Since 2016, the BCEAO's KYC rules have covered money transfer operations.

Senegal is a member of the GIABA, a FATF-style regional body. Its most recent MER can be found at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>.

## **AML DEFICIENCIES**

Senegalese authorities were drafting legislation extending enhanced due diligence to domestic PEPs in 2015, but, as of yearend 2017, no such law has been enacted. To address money laundering enforcement deficiencies, Senegalese authorities rely on training by cooperating partners and donors.

Senegal is not a member of the Egmont Group.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The BCEAO addresses money laundering concerns at regional banking conferences, most recently in May and July 2017. Financial institutions in Senegal are working with the BCEAO and Senegalese authorities to build their capabilities to detect suspicious transactions. The United States and Senegal do not have a bilateral MLAT or an extradition treaty. Senegal is a party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. The United States and Senegal also can make and receive requests for mutual legal assistance on the basis of domestic law.

# **Serbia**

## **OVERVIEW**

Serbia is situated on a major trade corridor, known as the Balkan route, which is used by criminal groups for various criminal activities, including narcotics trafficking and smuggling of persons, weapons, pirated goods, and stolen vehicles. While the bulk of narcotics seizures continue to be of heroin, seizures of South American cocaine transiting Serbia to Western Europe also occur. Traffickers are often Serbian organized criminal groups or transnational organized criminal groups that include Serbian citizens.

Serbian authorities have improved their AML legal and institutional framework since completing a money laundering national risk assessment (NRA) in 2013 and a terrorism finance NRA in

2014. Since November 2016, Serbia has adopted two new AML laws and three legal amendments, most recently to harmonize its AML/CFT systems with international standards and the EU's body of legislation. In 2016, Serbia's Administration for the Prevention of Money Laundering (APML), Serbia's FIU, took further steps to improve its technical, physical, IT, and human resources.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The most common money laundering typologies noted by the APML include: loans made in cash of unknown origin to natural and legal persons; successive or structured deposits of cash of unknown origin into the financial system (including front person accounts); using shell companies; foreign trade using over-invoicing and under-invoicing; cases combining money laundering with tax evasion; and integration of criminally-derived funds in sectors such as construction, real estate, casinos, hotels, and other trade (retail, wholesale, cash-based, and trade in oil derivatives).

Serbia has 14 "free zones." Import into and export from these zones is exempt from value added tax, customs, and clearance procedures. If goods are produced within the zone using at least 50 percent domestic components, they are considered to be of Serbian origin and are therefore eligible to be imported into Serbian territory.

### **KEY AML LAWS AND REGULATIONS**

In November 2016, Serbia enacted three legislative reforms. First, the Law on Organization and Jurisdiction of State Authorities in the Fight against Organized Crime, Terrorism and Corruption, which is scheduled to be implemented effective March 1, 2018, strengthens judiciary and police capacities in financial investigations, increases Serbia's capacity to prosecute organized crime and corruption, expands the use of task forces to target complex financial crimes, and strengthens international cooperation. Second, new amendments to the Criminal Code lower the burden of proof to secure money laundering convictions. Third, the amendments to the Law on Recovery of Proceeds from Crime strengthen the capacities of the Ministry of Interior's Financial Investigation Unit to conduct investigations and of the Directorate for the Management of Confiscated Assets to seize criminally-derived assets. Legal persons are covered by existing legislation.

The APML drafted a Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law), which Parliament enacted on December 14, 2017. The Law is aligned with international standards, including the EU's Fourth AML Directive. The Law adds public notaries to the list of entities subject to AML obligations. The Law also increases due diligence surrounding domestic PEPs. The APML also drafted amendments to the Law on the Freezing of Assets for the Purpose of Terrorism Prevention, which were also adopted by Parliament on December 14, 2017.

In May 2009, Serbia signed an MOU with the U.S. Treasury's FinCEN. The Law on Mutual Legal Assistance in Criminal Matters, the AML/CFT Law, the Law on Banks, and the Law on Payment Transactions ensure the availability of records.

Serbia is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/-serbia>.

### **AML DEFICIENCIES**

Foreign PEPs are subject to enhanced diligence under current law, and domestic PEPs will be covered under the new AML/CFT Law, which is scheduled to be implemented effective April 1, 2018. Serbia has a National Strategy against Money Laundering and Terrorist Financing (2015-2019) and an ongoing action plan. Serbia should improve interagency cooperation, pursue money laundering independently of other crimes, and improve the capacities of the APML and AML supervisors.

An EU-backed APML project aims to improve the quality and efficiency of STRs and of the APML's core functions, and to implement action plans for the adoption of portions of EU legislation. This will involve hiring and training additional staff, upgrading IT systems, and strengthening the APML's basic functions.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

So far in 2017, final convictions for money laundering have been brought against seven individuals. In 2016, APML opened 951 new analytical cases based on information from STRs. Transactions conducted by a large number of migrants transiting Serbia are subject to scrutiny.

With donor assistance, Serbia plans to organize a multidisciplinary group to combat money laundering, train police and prosecutors on proactive AML investigation skills, train financial institutions (casinos, real estate agencies, and notaries) on drafting STRs, and assess APML's need for software to detect suspicious activities.

## **Sint Maarten**

### **OVERVIEW**

Due to the damage from multiple hurricanes in 2017, most of the information on money laundering kept by the Sint Maarten government was destroyed.

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands. The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions.

Sint Maarten has been recognized by the OECD as a jurisdiction that has implemented internationally-agreed tax standards.

In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and information sharing related to criminal investigations and law enforcement. An ongoing priority area is interdicting money laundering operations.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Many hotels operate casinos on the island, and online gaming is legal.

Sint Maarten has offshore banks and companies. Sint Maarten's favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island who have invested their money in large-scale real estate developments, including hotels and casinos. In Sint Maarten, money laundering of criminal profits occurs through business investments and international tax shelters. The government sector continues to be vulnerable to integrity-related crimes.

It remains to be seen how Sint Maarten rebounds from the devastation of hurricanes Irma and Maria that destroyed approximately 90 percent of the island. In exchange for development aid, the Dutch government demands the implementation of a Dutch-supervised Integrity Chamber and border control to curb money laundering and to strengthen the government sector.

### **KEY AML LAWS AND REGULATIONS**

KYC laws cover banks, lawyers, insurance companies, casinos, customs, money remitters, the central bank, trust companies, accountants, car dealers, administrative offices, Tax Administration, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers.

The Kingdom may extend international conventions to the autonomous countries. The Kingdom extended to Sint Maarten the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as these MOUs do not infringe on the foreign policy of the Kingdom as a whole. Sint Maarten is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Sint Maarten is a member of the CFATF, a FATF-style regional body, and, through the Kingdom, the FATF. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>.

### **AML DEFICIENCIES**

Sint Maarten has yet to pass and implement legislation to regulate and supervise its casino, lottery, and online gaming sectors in compliance with international standards. In addition, the threshold for conducting customer due diligence in the casino sector does not comply with international standards.

The UNCAC has not yet been extended to Sint Maarten.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The National Ordinance Reporting Unusual Transactions has an “unusual transaction” reporting system. Designated entities are required to file 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. If, after analysis of an unusual transaction, a strong suspicion of money laundering arises, those suspicious transactions are reported to the public prosecutor’s office.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. However, the airport and seaport were hit hard by hurricanes Irma and Maria in September 2017. Cruise ship visits have halted since then and the airport is recovering slowly. It remains to be seen how business at the airport and seaport will recover. The local container facility, which played an important role in the region, was also strongly impacted. When the facility is operational, larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding Sint Maarten. Nevertheless, customs and law enforcement authorities should be alert for regional smuggling, TBML, and value transfer schemes when business resumes. In June 2017, the Sint Maarten Port Director was arrested in an investigation into forgery, money laundering, and tax evasion.

From January to October 2017, Sint Maarten’s FIU reported it has submitted seven money laundering investigations to the Public Prosecutor’s Office. The seven investigations consist of 441 suspicious transactions, involving approximately U.S. \$15 million.

Because the MLAT between the United States and the EU has not been extended to the Kingdom of the Netherlands’ Caribbean countries, the MLAT between the United States and the Kingdom applies to Sint Maarten. It is regularly used by U.S. and Sint Maarten law enforcement agencies for international drug trafficking and money laundering investigations.

## **South Africa**

### **OVERVIEW**

South Africa’s position as the financial center of the continent, its sophisticated banking and financial sector with a high volume of transactions, and its large, cash-based market make it a target for transnational and domestic crime syndicates. The Financial Intelligence Centre (FIC), South Africa’s FIU, works closely with other governmental organizations on AML enforcement. The Illicit Financial Flows Task Team (FTT), composed of six agencies, including a U.S. law enforcement representative, coordinates a national approach to investigate and prosecute money laundering activities. President Zuma signed an amendment to the Financial Intelligence Centre Act, 2001 (FICA) in April 2017, and in October 2017, the FIC, in collaboration with the National

Treasury, the South African Reserve Bank (SARB), and the Financial Services Board, published guidance to implement the new law.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Corruption, fraud, and organized crime are believed to constitute the largest sources of laundered funds. Narcotics and wildlife trafficking also contribute substantial proceeds. South Africa is the largest market for illicit drugs in sub-Saharan Africa and a transshipment point for cocaine and heroin. It is also a major source and transit country for wildlife crime. Other sources include business email compromises, theft, racketeering, currency speculation, credit card skimming, precious metals and minerals theft, human trafficking, stolen cars, and smuggling. The proliferation of informal and formal remittance schemes for foreign workers to send cash home to neighboring countries presents a challenge for authorities.

Many criminal organizations are involved in legitimate business operations, complicating efforts to detect money laundering. In addition to domestic criminal activity, observers note criminal activity by Chinese triads; Taiwanese and Vietnamese groups; Nigerian, Pakistani, Andean, and Indian drug traffickers; Bulgarian credit card skimmers; Lebanese trading syndicates; and the Russian mafia. Some foreign nationals are using South African nationals to help them send illicit funds out of the country. Investment clubs (*stokvels*) and funeral savings societies have been used as cover for pyramid schemes.

In 2017, reports and investigations into high-level corruption, including charges against President Zuma, continued to receive widespread coverage in the media. Issues surrounding PEPs gained attention when private banks refused to provide financial services to a PEP family. There were additional press reports that the same PEP family would be investigated by U.S. and UK law enforcement agencies.

In June 2017, the National Assembly passed the Border Management Authority Bill. The bill seeks to establish one centralized authority to handle all matters involving South Africa's ports of entry, including policing and customs. South Africa has four types of Special Economic Zones: Industrial Development Zones, free ports, FTZs, and Sector Development Zones.

### **KEY AML LAWS**

FICA compels financial institutions and other designated businesses to monitor financial flows and report suspicious transactions. The government has implemented comprehensive KYC and STR regulations. The SARB and the Financial Services Board carry out AML supervision of banking and non-banking entities, respectively.

President Zuma signed the Financial Intelligence Centre Act Amendment (FICAA) bill into law in April 2017. It brings South Africa's policies for countering illicit finance more in line with international standards. The law, implemented in October 2017, allows institutions to use a risk-based approach toward AML deterrence and adds high-value goods dealers, auctioneers, and virtual currency exchanges to the categories of entities falling under FIC authority. The FICAA also expands the pool of PEPs whom financial institutions must track to include foreign

prominent public officials and domestic influential persons. It also requires financial institutions to identify PEPs, including those in the private sector involved in high-value government procurements.

South Africa is a member of the FATF and the ESAAMLG, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20South%20Africa%20full.pdf>.

### **AML DEFICIENCIES**

The criminal justice system has become more effective in securing money laundering convictions, but the lack of capacity of law enforcement and other institutions to handle complex cases remains a challenge. The difficulty of obtaining information on beneficial ownership hurts financial institutions' ability to detect and report suspicious transactions.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The FTT, established in October 2016, is comprised of dedicated investigators and intelligence analysts who will target suspicious money flows leaving the country. It can seize illicit money tied to narcotics, wildlife poaching, and weapons trafficking. U.S. law enforcement participates with South African AML authorities. During the fiscal year that ended March 31, 2017, the FIC blocked approximately U.S. \$12 million as suspected proceeds of crime. Prosecutors typically include money laundering as a secondary charge in conjunction with other offenses. Accordingly, the government does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeitures.

## **Spain**

### **OVERVIEW**

Spain proactively identifies, assesses, and understands its money laundering risks and works to mitigate these risks. Spain remains a logistical hotspot for organized crime groups based in Africa, Latin America, and the former Soviet Union and is a trans-shipment point for illicit drugs entering Europe from North Africa and South America. Spain largely complies with international AML standards and has up-to-date laws and regulations and sound AML institutions. In 2017, Spain maintained funding levels for its FIU, the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Infractions (SEPBLAC). In general, Spain continues to build on its already strong measures to combat money laundering.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Spain is a trans-shipment point for the cross-border illicit flows of drugs. 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. In addition, bulk cash is sent from Latin

America to Spain by the same means that drugs enter Spain from Latin America. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities continue to cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

The most prominent means of laundering money are through the purchase and sale of real estate, the use of complex networks of companies and legal arrangements, the exploitation of MVTS, and the use of cash couriers. The major sources of criminal proceeds are drug trafficking, organized crime, customs fraud, human trafficking, and counterfeit goods. 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.

On September 11, 2017, the Spanish High Court approved a request from the anti-corruption prosecution office to investigate the Industrial and Commercial Bank of China's (ICBC) European headquarters for continued laundering of funds from Chinese criminal groups in Spain. Spanish prosecutors began investigating ICBC Luxembourg, which holds the lender's EU bank license and is in charge of the Madrid branch, following the arrest of seven ICBC executives in Madrid over money laundering allegations. Among those arrested were the Madrid branch manager and the general manager of the bank's European division. The investigation revealed the branch did not adopt any of the AML/CFT rules and failed to report suspicious transactions to the Spanish authorities—actions of which the ICBC parent company was aware.

### **KEY AML LAWS AND REGULATIONS**

Spain enacted its current AML/CFT law in 2010; the law entered into force immediately. All associated implementing regulations were approved and entered into force in May 2014. Spain has comprehensive KYC and STR regulations. Spain issued a Ministerial Order in February 2016 launching and defining the scope of the Asset Recovery and Management Office and the opening of its deposit and consignment account.

Spain is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>.

### **AML DEFICIENCIES**

Spain is largely compliant with international standards. Spain has addressed two noted deficiencies: in 2016, SEPBLAC received a nearly 29 percent budget increase in order to increase personnel from 54 to 79 employees; and in June 2017, the new EU Funds Transfer Regulation became effective in Spain.

As of October 2017, Spain has not started the process to update its current AML/CFT law to transpose and implement EU Directive 2015/849, the Fourth AML Directive. Additionally, effective controls are not in place to ensure lawyers comply with their AML obligations. Spain has not updated its penal code to extend the maximum period of disbarment for professionals.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

A number of money laundering cases have been prosecuted, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

Spanish officials report the following updated statistics regarding money laundering-related prosecutions and convictions (all figures from 2015, the most recent year available): 79 cases concluded; 299 people prosecuted; 55 cases resulting in convictions; 216 persons convicted; and one convicted person holding a position in the judicial system. Final data for 2016 are pending the approval of the Commission for the Prevention of Money Laundering.

## **St. Kitts and Nevis**

### **OVERVIEW**

St. Kitts and Nevis (SKN) is a federation composed of two islands in the Eastern Caribbean. Its economy is heavily reliant on tourism, construction, and the offshore financial sector. SKN remains a transit point for drug traffickers going to the United States and Europe.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

SKN remains susceptible to corruption and money laundering because of the volume of narcotics trafficking around the islands. The growth of its offshore banking sector coupled with unusually strong bank secrecy laws also remains problematic.

Financial oversight in Nevis remains problematic due to SKN allowing the creation of anonymous accounts, strong bank secrecy laws, and overall lack of transparency of beneficial ownership of legal entities. Nevis is a desirable location for criminals to conceal proceeds because of the ambiguous regulatory framework regarding customer due diligence makes Nevis a desirable location for criminals to conceal proceeds.

Bearer shares are authorized if the bearer share certificates are retained in the protected custody of persons or financial institutions authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer and the certificate's beneficial owner.

An individual is eligible for economic citizenship with a U.S. \$400,000 minimum investment in real estate, a contribution ranging from U.S. \$250,000 to U.S. \$356,000 (based on an application

for two adults and two dependents) to the Sugar Industry Diversification Foundation, or a contribution of U.S. \$150,000 to a newly created Hurricane Relief Fund. Real estate applicants must pay additional government fees of U.S. \$50,000 and up, depending on family size. Applicants must make a source of funds declaration and provide supporting evidence. The government established a Citizenship Processing Unit (CPU) to manage the screening and application process. The CPU does not maintain adequate autonomy from politicians to prevent political interference in its decisions.

### **KEY AML LAWS AND REGULATIONS**

The AML legislation is at the federation level and covers both St. Kitts and Nevis. Each island has the authority to organize its own financial structure and procedures. St. Kitts has acts governing companies, limited partnerships, foundations, and trusts that are registered in St. Kitts. Nevis has ordinances that govern corporations, limited liability companies, trusts, and multiform foundations. Most of the offshore financial activity is concentrated in Nevis.

The Eastern Caribbean Central Bank has responsibility for regulating and supervising the SKN domestic sector. Offshore banks, which are supervised by the Financial Services Regulatory Commission (FSRC), are required to have a physical presence in the federation; shell banks are not permitted. According to SKN government authorities, as of September 30, 2017, the regulated entities supervised by the St. Kitts Branch of the FSRC are two insurance managers, 53 trust and corporate service providers, 15 domestic insurance companies, 11 money services businesses, four credit unions, and one development bank. The Nevis Branch of the FSRC regulates 17 insurance managers, one international bank, 56 registered agents/service providers, three international insurance brokers, and 292 international insurance companies. There is no recent information on the number of IBCs, limited liability companies, or trusts.

St. Kitts and Nevis is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/saint-kitts-and-nevis-1>.

### **AML DEFICIENCIES**

Nevis can form an IBC in less than 24 hours, and bearer shares are allowed, though “discouraged.” Internet gaming entities must apply for a license as an IBC.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

SKN did not report passage of new enforcement legislation in 2017, and there have been no money laundering prosecutions or convictions since 2015. SKN authorities indicated they assisted foreign jurisdictions in pursuing money laundering investigations and in the identification of possible proceeds of crime. However, there should be more specific guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance.

SKN's legislation incorporates provisions for civil penalties; however, they continue to be applied in an unreliable manner and do not apply to all pertinent financial sectors.

In May 2014, FinCEN issued an advisory to alert U.S. financial institutions that certain foreign individuals abused the SKN citizenship by investment program (CIP) to obtain SKN passports for the purpose of engaging in illicit financial activity or evading sanctions. FinCEN is engaging SKN to evaluate if recent CIP improvements sustainably address U.S. AML/CFT concerns. As of June 2017, North Korean nationals are prohibited from participating in the SKN CIP. U.S. law enforcement also is increasingly concerned about the expansion of these programs due to the exposure to local corruption and the visa-free travel and ability to open bank accounts accorded these individuals.

The Government should focus on addressing noted deficiencies. SKN must work toward transparency and accountability in financial regulation. Specifically, it must precisely determine the exact number of internet gaming companies present on the islands and conduct the necessary oversight of these entities. The government should ensure all relevant entities covered under the AML laws and regulations are subject to sanctions that are proportionate and dissuasive. SKN should promote close supervision of the CIP and be transparent in reporting monitoring results.

## **St. Lucia**

### **OVERVIEW**

St. Lucia's main sources of revenue are tourism and the offshore banking sector. It has a diverse manufacturing sector, and the government is trying to revitalize the banana industry. St. Lucia is a transit point for illegal drugs going toward the United States and Europe.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering in St. Lucia primarily relates to drug trafficking. Illicit drug trafficking by organized crime rings and the laundering of drug proceeds by domestic and foreign criminal elements remain serious problems for St. Lucia. It is believed financial institutions unwittingly engage in currency transactions involving international narcotics trafficking proceeds. St. Lucia's Financial Intelligence Authority (FIA), its FIU, detected these new trends: large cash deposits in accounts followed by immediate withdrawals; large euro currency cash conversions; inter-account transfers without any economic rationale between related accounts either controlled by an individual or through associates; and purchase of real estate with cash and then resale.

According to St. Lucia authorities, the narcotics trade is the main source of illicit funds. These illicit proceeds are usually laundered through structured deposits and currency exchanges in the financial system. Illicit proceeds also enter the financial system through some ostensibly legitimate business operations.

St. Lucia has an offshore banking sector, which is supervised by the Financial Sector Supervision Unit of the Ministry of Finance. Onshore domestic banks are supervised by the Eastern

Caribbean Central Bank. St. Lucia also has a FTZ where investors can establish businesses and conduct trade and commerce outside of the National Customs territory. Activities may be conducted entirely within the zone or between the St. Lucia free zone and foreign countries.

St. Lucia launched an economic citizenship program (CIP) in October 2015, but changed its fees and regulations in January 2016. An individual can obtain citizenship for a minimum donation to the National Economic Fund of U.S. \$100,000 per applicant, U.S. \$165,000 for an applicant and spouse, or U.S. \$190,000 for a family of up to four persons. Investment options include a U.S. \$300,000 minimum purchase in real estate, a U.S. \$3.5 million investment in an approved project, or a U.S. \$500,000 purchase of government bonds (increasing to U.S. \$550,000 for a family of four). Investment applicants must pay government fees of U.S. \$50,000 and up, depending on the number of dependents. Applicants also pay due diligence fees of U.S. \$7,500 per main applicant and U.S. \$5,000 for each additional applicant over 16 years of age. Application for economic citizenship must be made through a government-approved local agent. An in-person interview is not required. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process. The CIU does not maintain adequate autonomy from politicians to prevent political interference in its decisions. U.S. law enforcement also is increasingly concerned about the expansion of these programs due to the exposure to local corruption and the visa-free travel and ability to open bank accounts accorded these individuals.

### **KEY AML LAWS AND REGULATIONS**

St. Lucia has comprehensive KYC rules.

There is a Tax Information Exchange Agreement between the Governments of St. Lucia and the United States.

St. Lucia is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/saint-lucia-1>.

### **AML DEFICIENCIES**

There remains a substantial black market for smuggled goods in St. Lucia, mostly gold, silver, and other jewelry, predominantly smuggled from Guyana. There is a black market in high-quality jewelry purchased from duty free establishments in St. Lucia by both local and foreign consumers. Monies suspected to be derived from drug trafficking and other illicit enterprises are filtered into and washed through trading firms. TBML is evident in St. Lucia.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

St. Lucia authorities state that there was sufficient progress with regard to the prosecution of money laundering offenses under the Money Laundering Prevention Act and forfeiture of the proceeds of crime in accordance with the provisions of the Proceeds of Crime Act. The

successful enforcement of the laws is a result of enhanced interagency cooperation among the Police, FIA, Customs, and the Public Prosecutions Office. For the period January to October 2017, a total of 17 persons were charged with the offense of money laundering, resulting in seven convictions with penalties ranging from fines to imprisonment. For the period January to October 2017, a total of 24 cash seizures totaled more than U.S. \$1.8 million.

The Customs and Excise Department is routinely confronted by false declarations, false invoicing, and fraudulent evasion of duties and taxes on goods.

Law enforcement and customs authorities should be given training on how to recognize and combat trade-based value transfer, which could be indicative of both customs fraud and money laundering. The Government of St. Lucia should improve investigative capacity within the police and courts to prosecute cash seizure and forfeiture cases expeditiously and successfully.

The government should ensure its CIP is adequately supervised and monitored to prevent its abuse by criminals.

## **St. Vincent and the Grenadines**

### **OVERVIEW**

St. Vincent and the Grenadines' (SVG) economy is dependent on the tourism and offshore banking industries. Agriculture is also an important sector of the economy. There is a high unemployment rate on the islands. SVG is the leading marijuana producer in the region and a transit point for other types of illicit drugs.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

SVG remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. The islands remain a small but active offshore financial center with a relatively large number of IBCs. U.S. currency is often smuggled into the country via couriers, go-fast vessels, and yachts.

Money laundering is principally affiliated with drug production and trafficking as well as arms and ammunition exchanges for drugs. Financial institutions, including domestic and offshore banks and money remitters, are susceptible to money laundering. The SVG FIU noted the following emerging trends: the use of cash intensive businesses to launder funds (car dealerships, car rentals); wire fraud perpetrated on financial institutions and private and public entities; and advanced-fee scams, where the victim is promised a large sum of money for a small up-front payment.

As of 2017, the offshore financial sector includes five offshore banks, four offshore insurance companies, 15 registered agents, 96 mutual funds, two casinos, 6,331 IBCs, and 103 international trusts. There are no internet gaming licenses. Physical presence is not required for offshore sector entities and businesses, with the exception of offshore banks. The Financial

Services Authority is the regulatory body with the mandate to supervise the offshore financial sector and DNFBPs. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business.

Bearer shares are permitted for IBCs, but not for banks. The SVG government requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. There are no free trade zones in SVG.

### **KEY AML LAWS AND REGULATIONS**

As of July 31, 2017, changes were made to the following pieces of legislation: Proceeds of Crime (Amendment) Act, No. 18 of 2017; Anti-Terrorist Financing and Proliferation (Amendment) Act, No 17. of 2017; Immigration (Restriction) (Amendment) Act, No. 16 of 2017; Anti-Money Laundering and Terrorist Financing (Amendment) Regulations, SRO No. 24 of 2017; Anti-Money Laundering and Terrorist Financing Code, SRO No.25 of 2017.

Currently AML/CFT regulations contain detailed provisions on PEPs and stipulate that service providers are required to apply enhanced due diligence when onboarding PEPs and in continuing an existing relationship with PEPs. In addition, legal persons are covered under the existing AML/CFT legislation and are captured under the category of service providers. All service providers are required to identify, verify, and keep beneficial ownership information on each client.

The Mutual Assistance in Criminal Matters Act signed between the St. Vincent and the Grenadines government and the United States government on January 8, 1998 is the operative instrument through which records and information can be exchanged with the United States. The agreement covers mutual legal assistance in criminal matters, as well as civil and administrative matters related to criminal proceedings.

Section 131 (2) of the Proceeds of Crime Act of 2013 provides protection against criminal or civil liability for service providers (financial institutions and other reporting entities) and their employees who file STRs in good faith.

SVG is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at:

<https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/saint-vincent-and-the-grenadines-1>.

### **AML DEFICIENCIES**

The outstanding AML deficiencies relate to the supervision of DNFBPs such as real estate agents, lawyers, jewelers, dealers in precious metals, and accountants. The FIU has been designated by the Anti-Money Laundering and Terrorist Financing Regulations as the Regulator of DNFBPs.

SVG has not completed a national AML/CFT risk assessment.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2017, SVG initiated two charges for money laundering, which are currently being prosecuted in the courts. There were no convictions for money laundering.

Since its inception in 2015, the FIU's Civil Asset Recovery Division has frozen assets with a value of more than U.S. \$500,000 and is currently working on several civil recovery/forfeiture cases.

The government should become a party to the United Nations Convention Against Corruption.

## **Suriname**

### **OVERVIEW**

Money laundering in Suriname is closely linked with transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. According to local media reports, both domestic and international drug trafficking organizations are believed to control most of the laundered proceeds, which are primarily invested locally in casinos, real estate, foreign exchange companies, car dealerships, and the construction sector. Public corruption also contributes to money laundering, though the full extent of its influence is unknown. Profits from small-scale gold mining and related industries fuel a thriving informal sector. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm for financial transactions.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Goods such as agricultural products, fuel, cigarettes, alcohol, and medicine are smuggled into the country via Guyana and French Guiana and are sold at below-market prices. Other goods are smuggled into the country with the primary aim of avoiding payment of import duties and other taxes. There is little evidence to suggest that this smuggling is funded by narcotics trafficking or other illicit activity. Contraband smuggling likely does not generate funds later laundered through the financial system. There are indicators that TBML occurs, generally through the activities of local car dealerships, gold dealers, and currency exchanges (*cambios*). Money laundering may occur in the formal financial sector through banks and *cambios*.

There is no evidence the formal banking sector facilitates the movement of currency derived from illegal drug sales in the United States. Local drug sales of cocaine in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

### **KEY AML LAWS AND REGULATIONS**

Suriname has taken a number of steps to improve compliance with international AML standards. In 2016, Suriname enacted and amended laws to establish a legal entity to supervise service providers for compliance with the International Sanctions Act; strengthen due diligence in the non-profit sector; improve AML mechanisms linked to the capital market; and to better implement Article 2, Section 1 of the International Sanctions Act. Suriname did not pass or amend any additional AML legislation during 2017.

KYC and STR requirements cover banks and credit unions, asset managers, securities brokers and dealers, insurance agents and companies, currency brokers, remitters, exchanges, auditors, accountants, notaries, lawyers, real estate agents, dealers in gold or other precious metals and stones, gaming entities and lotteries, and motor vehicle dealers.

The exchange of records between Suriname and other countries is possible via individual MOUs and mutual legal assistance requests.

Suriname is a member of the CFATF, a FATF-style regional body. Suriname's most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/suriname>.

### **AML DEFICIENCIES**

Suriname must complete a national risk assessment.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, PEPs.

Suriname is not a member of the Egmont group. Additionally, the Government of Suriname is not party to the UNCAC.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

A bill on international sanctions was passed in the first half of 2016.

A gaming board was established by law in 2009 but is currently inactive.

From January to September 2017, 1,045 of the 115,190 STRs led to investigations, an improvement over prior years but still extremely low. The number of STRs filed has dropped precipitously over the last two years. The reason for this steady decline is not known. From January to September 2017, there were no money laundering prosecutions and no convictions.

## **Switzerland**

### **OVERVIEW**

Switzerland is a major international financial center where illicit financial activity occurs. Historically, foreign narcotics trafficking organizations, often based in Russia, the Balkans, and

Eastern Europe, have dominated attempts at narcotics-related money laundering operations in Switzerland.

Switzerland has made progress in implementing KYC procedures in its financial industry, but needs to further improve oversight over actors that are vulnerable to money laundering, as well as over new players in the financial industry.

The most recent Swiss government statement of intent of June 2017 acknowledges the need to increase the scope of AML measures to all relevant actors and to strengthen the Swiss regime against criminal activity.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The Swiss financial system is exposed to a high risk of money laundering associated with assets derived from offenses committed abroad. Private banking is the sector most exposed to these risks. Switzerland is a financial hub managing an estimated 25 percent of offshore global wealth from private clients. Through Switzerland's expanding network of Automatic Exchange of Information (AEOI) agreements, Switzerland will report bank accounts opened by foreigners to their country of tax domicile. AEOI compliance will aid in discouraging money laundering activities. Swiss banks and financial intermediaries stress that their compliance cultures have improved greatly in the past decade. While attempts at narcotics-related money laundering likely continue, Swiss authorities have stepped up investigations, resulting in 13 convictions in 2016 linked to criminal organizations, above the last decade's average of seven such convictions per year. Additionally, Swiss society still relies heavily on the use of cash for many large transactions.

In 2016, Switzerland implemented an improved legal framework, which requires the country's 10 free trade ports to abide by regulations imposed by their supervisory authority, the Swiss Federal Customs Administration, including more stringent KYC regulations, particularly with respect to high-value goods. Nevertheless, more consistent inspections should be carried out in free ports to ensure compliance.

Currently, the Swiss Federal Commission of Casinos supervises 22 casinos in Switzerland. While casinos are generally well regulated, there are concerns they could be used to launder money. Casinos are required to submit STRs to the Swiss Money Laundering Reporting Office (MROS), the Swiss FIU.

### **KEY AML LAWS AND REGULATIONS**

The Federal Act on Combatting Money Laundering in the Financial Sector (AML Act) forms the legal basis for the work of the MROS. The Ordinance on the Money Laundering Reporting Office enumerates the MROS' responsibilities and its handling of financial disclosures. The MROS exchanges limited financial information related to STRs with the U.S. Treasury's FinCEN. The Swiss Federal Office of Justice has cooperated with the United States on several high-profile investigations that centered on bank account information; however, the process can be slow due to strict banking laws.

Switzerland is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/#Switzerland>.

### **AML DEFICIENCIES**

The de facto absence of criminal sanctions and the low level of STRs represent weaknesses in the Swiss AML regime. In 2016, AML experts called for the Swiss Financial Market Supervisory Authority (FINMA) to prioritize checks on STR reporting and to sanction serious violations beyond merely presenting injunctions to comply with the law. FINMA and the financial sector's self-regulatory bodies (SRBs) should ensure inspections and oversight are appropriate for all financial intermediaries in relevant sectors. Overall, FINMA should exercise greater influence on SRBs.

Swiss financial intermediaries apply enhanced due diligence measures in higher risk situations, particularly those involving PEPs. However, Switzerland should increase due diligence in accordance with the AML Act for specific DNFBP sectors (such as casinos, attorneys, real estate agents, and precious metals/gem dealers), as well as increase transparency measures for sporting and other associations. Switzerland also should increase oversight in connection with precious metals and gem trades. According to experts, Swiss authorities should also increase oversight of SRBs and the verification of beneficial owners, including by regularly updating client information.

Switzerland is addressing these deficiencies through a proposed series of legal changes and by bolstering the capacity of its FIU through a staffing increase from six employees in 2011 to 33 in 2018.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Switzerland is taking steps to implement the 1988 UN Drug Convention and other agreements, as well as international AML standards.

FINMA investigates Initial Coin Offering procedures in order to evaluate to what extent they breach regulatory law.

In 2016, STRs submitted by financial intermediaries rose 23 percent from 2015. Some 71 percent of STRs were forwarded to the Cantonal and Federal prosecutors. The asset value of the STRs reached U.S. \$5.4 billion (up 10.3 percent over 2015), with 15 STRs accounting for one-third of the asset value. Convictions linked to money laundering increased by 8 percent in 2016 to an all-time high of 337.

## Tajikistan

### OVERVIEW

Most money laundered in Tajikistan is assumed to derive from the large amounts of opiates and other drugs transiting the country from Afghanistan to Russia and Eastern Europe. Falling drug seizure rates in Tajikistan and across the region may be an indication of a decrease in the amount of drugs passing through the country; however, 2017's bumper crop may reverse that recent trend.

Money launderers may be bypassing the banks and physically transporting cash across borders (bulk cash smuggling). This avoids currency reporting requirements and transfers the funds to other nations, beyond the reach of the government of Tajikistan. Anecdotal information suggests that, in contrast to public perception, most money laundering cases initiated in Tajikistan have corruption as the predicate offense and not drug trafficking.

### VULNERABILITES AND EXPECTED TYPOLOGIES

Due to its proximity to Afghanistan and estimates of the quantities flowing along the drug trafficking corridor known as the Northern Route, illicit drugs are thought to be the major source of funds to be laundered; however, funds extorted as bribes in the public and private sectors may also be major sources of illicit money.

There are four established economic free zones (FEZ) in Tajikistan, all of which are based on manufacturing. Sughd and Panj FEZs were each established in 2008, and Dangara and Ishkashim FEZs in 2010. The tax and customs benefits for the zones are planned to last for 25 years, although extensions are possible for up to 49 years. The zones in Sughd and Dangara are the most developed, with the former attracting investment from Poland, Russia, Cyprus, and Turkey, while Dangara also has Chinese-funded manufacturing.

Use of alternative remittance systems and bearer shares create the potential for abuse, but evidence of their abuse as money laundering vehicles is limited.

### KEY AML LAWS AND REGULATIONS

Tajikistan has dedicated AML legislation in addition to KYC regulations and suspicious activity reporting requirements. There are plans to tighten the KYC regulations.

The U.S. DEA maintains an MOU with the Tajik Drug Control Agency regarding information sharing in connection with narcotics investigations. Due to government-directed lending and the large number of nonperforming loans, no Western banks cooperate with Tajikistan. One major Tajik bank lists 80 percent of its loans as non-performing.

Tajikistan is a member of the EAG, a FATF-style regional body. Its most recent MER can be found at: <http://www.eurasiangroup.org/mers.php>.

## **AML DEFICIENCIES**

Tajikistan's FIU, the Financial Monitoring Department of the National Bank of the Republic of Tajikistan, is staffed by many new employees with relatively little experience. It is clear that training, technological resources, and equipment are needed.

An AML/CFT national risk assessment (NRA) summary report was released in September 2017 and was the culmination of a risk assessment conducted from April 2015 to September 2017. According to the conclusion of the report, the NRA will be the basis for a more detailed AML/CFT risk assessment that will be conducted in 'the next few years.'

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Tajikistan has an AML inter-ministerial coordinating body that includes most departments in the government, including the National Bank, the Ministry of Internal Affairs, the State Committee on National Security, the Prosecutor General's Office, and the Anti-Corruption Agency; however, there appears to be little exchange of information among agencies.

The absence of current money laundering investigation or prosecution statistics makes it difficult to accurately gauge the degree to which the formal banking sector is being used to launder assets and the effectiveness of Tajikistan's AML regime.

Tajikistan's challenges confronting money laundering may not arise from lack of viable institutions or comprehensive legislation, but instead from the pervasive culture of corruption, which serves as both a source of illicit funds and a mechanism to prevent investigations. While training and other resources for investigators are needed, Tajikistan also requires a comprehensive strategy to reduce corruption in the country.

## **Tanzania**

### **OVERVIEW**

While Tanzania is not a regional financial center, it is vulnerable to money laundering schemes and cross-border currency movements, which exploit the country's unregulated financial sector. In response, the Government of Tanzania created a special court to address economic crimes and implemented regulations addressing cross-border currency movement and other issues. In June 2017, Tanzania's central bank revised the rules for operating retail foreign exchange bureaus, aiming to strengthen licensing and supervision to curb loopholes for money laundering. In May 2017, the Tanzanian Central Bank revoked the business license of FBME Bank Ltd. and placed it under liquidation. FBME Bank had been designated a financial institution of "primary money laundering concern" by FinCEN and, in April 2017, was barred from accessing the U.S. financial system.

The Government of Tanzania should continue to train, increase awareness of, and allocate resources to key financial sector, law enforcement, and judicial stakeholders.

## **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering in Tanzania involves the proceeds from drug trafficking, wildlife trafficking, corruption, and smuggling of precious metals and stones. A large portion of the population is still engaged in the unregulated financial sector, where money laundering is more likely to occur. Mobile banking services continue to expand rapidly, which opens formerly underserved rural areas to formal banking but also creates new vulnerabilities. Criminals use front companies, hawaladars, and currency exchanges to launder funds, particularly on the island of Zanzibar. Officials indicate additional money laundering schemes in Zanzibar often involve foreign investment in the tourist industry. Real estate and used car businesses also appear to be involved in money laundering.

## **KEY AML LAWS AND REGULATIONS**

Tanzania's main AML legislation includes the Anti-Money Laundering Act, Cap. 423 of 2006; Anti-Money Laundering (Amendment) Act, 2012; Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009; and Written Laws (Miscellaneous Amendment) Act No. 12 of 2011. Main regulations in this area include Anti-Money Laundering Regulations, 2012; Anti-Money Laundering and Proceeds of Crime Regulations, 2015; and the Anti-Money Laundering (Cross-Border Declaration of Currency and Bearer Negotiable Instruments) Regulations, 2016. The Bank of Tanzania also issues directives to financial institutions that conduct retail foreign exchange dealings, including exchange bureaus, to counter money laundering and enhance supervision. Tanzania has KYC and STR regulations.

Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Tanzania is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER can be found at: [http://www.esaamlg.org/reports/view\\_me.php?id=197](http://www.esaamlg.org/reports/view_me.php?id=197).

## **AML DEFICIENCIES**

In recent years, the government has taken steps to strengthen its response to money laundering. For example, the authorities amended Section 60 of the Economic and Organized Crime Control Act (Cap. 200) to provide for the confiscation of property. Weaknesses remain, however, in supervision of the financial sector. Further, the country has yet to establish a database of mutual legal assistance (MLA) statistics or put in place procedures to ensure MLA requests are properly executed, though substantial steps have been taken this year to improve MLA procedures. Similarly, Tanzania still lacks legislation to allow for the confiscation, freezing, or seizure of certain assets in response to a MLA request.

Tanzania has a limited capacity to implement the existing money laundering laws and to supervise the banking sector. Furthermore, authorities still have failed to address problems related to non-conviction-based forfeiture. Other ongoing issues include a focus mainly on the

formal banking sector rather than full coverage of DNFbps and ineffective provisions pertaining to record-keeping.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although Tanzania enacted its Money Laundering Act in 2006, Tanzanian prosecutors only began to try money laundering cases in 2009. By September 2017, a total of 28 cases had been brought to court, with six of those tried in 2017. Three cases were concluded to date in 2017, resulting in two convictions and one acquittal. The court also ordered forfeiture of assets in three cases in 2017.

Tanzania should increase the awareness of money laundering issues in the financial, law enforcement, and judicial sectors and allocate the necessary human, technical, and financial resources to implement its AML regime, especially in Zanzibar. The FIU should be given the resources to improve its capacity to implement all facets of its mandate. Tanzania should improve coordination and follow-up by police and customs officials investigating financial crimes, and by prosecutors and judicial officials trying, hearing, and, if warranted, convicting criminals and criminal organizations engaging in money laundering activities. Tanzania should engage with stakeholders to develop its capacity in strategic analysis to apply a risk-based approach, including typologies identification. The FIU should focus more on non-traditional banking mechanisms used to launder funds, such as the use of front companies, hawaladars, Chinese “flying money” remittance systems, currency exchanges, and mobile banking.

## **Thailand**

### **OVERVIEW**

Thailand is a centrally located Southeast Asian country with porous borders. Thailand is vulnerable to money laundering within its own economy, and to many categories of cross-border crime, including illicit narcotics, wildlife trafficking, 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, official corruption, underground lotteries, and prostitution are laundered through the country’s informal financial channels. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Thailand continues to make progress in its AML regulatory framework, most recently amending its Anti-Money Laundering Act (AMLA) in 2017. Thailand includes tax offenses as a predicate offense under the AMLA.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Funds from various illegal industries (drugs, contraband goods, and illegal remittances) are transported across Thailand's four land borders and through airports and seaports. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. Unlicensed or unregulated hawaladars serve Middle Eastern travelers in Thailand. Unregulated Thai and Chinese remittance systems are also prevalent. Smuggled items include cash, financial instruments, gold, jewelry, gems, protected wildlife species, drugs, and petroleum.

### **KEY AML LAWS AND REGULATIONS**

The primary regulation in Thailand is AMLA, Section 22, which includes KYC and STR regulations. The Act requires financial institutions to keep customer identification and financial transaction data for five years from termination of relationship. Financial institutions must keep due diligence records for 10 years. The Act also requires reporting of suspicious transactions. Thailand added terrorism and proliferation as predicate offenses under the AMLA after the Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act was enacted in December 2016. In April 2017, tax offenses were added as a predicate offense under the AMLA.

Thai law establishes reporting requirements for the import and export of currency, which vary depending on the type of currency, whether the currency is being imported or exported, and the source or destination country. For Thai currency being imported into Thailand, there is no reporting requirement. For foreign (non-Thai) currency, whether inbound or outbound, amounts exceeding U.S. \$20,000 or equivalent must be declared to Customs officers. For Thai currency being exported from Thailand to specified countries, namely Cambodia, Laos, Burma, Vietnam, Malaysia, and China's Yunnan province, amounts exceeding approximately U.S. \$13,700 must be declared, and amounts exceeding approximately U.S. \$60,900 require approval from the Ministry of Finance. For Thai currency being exported from Thailand to countries other than those listed above, amounts exceeding approximately U.S. \$1,500 require approval from the Ministry of Finance. Thai law also establishes penalties for violation of the reporting requirements, which include seizure provisions.

Thailand is a member of the APG, a FATF-style regional body. Thailand's most recent MER can be found at: <http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=7>.

### **AML DEFICIENCIES**

Thailand continues to make progress in its AML legal/regulatory framework. AMLA No. 4 (2013) transferred all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), Thailand's FIU. Since the revision to AMLA in 2015 (AMLA No. 5), the law no longer requires AMLO to prove intent before an asset can be seized; simply being connected to narcotic activity allows a seizure.

AMLA No. 5 includes provisions intended to reduce the barriers to asset sharing and recovery in cases in which repatriating or sharing forfeited proceeds with a foreign jurisdiction is appropriate.

Thailand has numerous unlicensed, unregulated informal remittance systems. AMLA compliance needs to be enforced for these MSBs to deter their use as money laundering vehicles.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as well as criminal enforcement. Thailand has continued to use AMLO's authorities to seize assets in a number of suspected human trafficking cases. The AMLO is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. From October 2016 to September 2017, there were 133 prosecutions and 155 convictions.

Thailand's legal framework allows for international cooperation on criminal matters and extraditions. The United States and Thailand have a MLAT in place. Thailand uses its membership in the Egmont Group as the primary mechanism through which Thailand shares information with the United States. Thailand's AMLO is able to share information with or without MOUs with domestic or international partners and does so actively. Thailand's primary difficulty in information sharing is with jurisdictions that require separate MOUs outside of the Egmont Group process.

## **Trinidad and Tobago**

### **OVERVIEW**

Trinidad and Tobago's close proximity to drug-producing countries, relatively stable economy, and developed financial systems make it vulnerable to money laundering. Proceeds from drug trafficking, illegal arms sales, gaming, fraud, tax evasion, and public corruption are the most common sources of laundered funds. Narcotics trafficking organizations and organized crime groups, operating locally and internationally, control the majority of illicit proceeds moving through the country.

Trinidad and Tobago has passed a number of new laws in an attempt to reduce fraud, corruption, and money laundering. The government has increased the number of FIU staff and improved its interagency processes to both assess money laundering risks and increase cooperation to investigate and prosecute money laundering crimes more effectively. Trinidad and Tobago institutions responsible for enforcing the AML regime overall remain challenged by capacity and resource constraints. A lengthy judicial process can mean years before criminal prosecutions are resolved, and there has not been a stand-alone conviction for money laundering to date. Sustained capacity building, adequate legislation, criminal justice reform, and enhanced interagency cooperation are needed to ensure the proper enforcement of Trinidad and Tobago's AML regime.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Fraud and corruption in government procurement have been identified as problems, but rarely result in convictions. The failure to prosecute financial crimes successfully has a corrosive impact on the integrity of public finances and may encourage others to engage in financial crimes.

Money laundering also occurs outside the traditional financial system. While public casinos and online gaming are illegal in Trinidad and Tobago, gamers take advantage of “private members’ clubs,” which operate as casinos and move large amounts of cash. Reports suggest certain local religious organizations are involved in money laundering, and comprehensive AML oversight of non-profit organizations is lacking. Member-based financial cooperatives, or credit unions, also present a risk for money laundering.

There are 15 FTZs in Trinidad and Tobago where manufactured products are exported. A free zone enterprise must be a company incorporated or registered in Trinidad and Tobago; all foreign companies are required to register a business entity locally. There is no evidence the FTZs are involved in money laundering schemes.

Trinidad and Tobago does not have a significant offshore banking sector, nor an economic citizenship program. There is no currency transaction threshold for the filing of an STR; an STR may be filed for a suspicious transaction of any amount.

### **KEY AML LAWS AND REGULATIONS**

Trinidad and Tobago has fairly comprehensive KYC and STR regulations.

Trinidad and Tobago is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/cfatf-4mer-trinidad-tobago.pdf>.

### **AML DEFICIENCIES**

The Attorney General’s office is committed to addressing legislative deficiencies and has prioritized AML investigations and prosecutions. New legislation on government procurement and reform of the criminal justice system to allow for more timely prosecutions has passed and must now be implemented. The current government also is seeking to amend legislation relating to its Companies Act, which codifies corporate law, to require the disclosure of a firm’s beneficial ownership and to increase transparency for real property held in trust. New laws to allow for non-conviction-based asset forfeiture, the protection of whistleblowers, and the regulation and control of gaming and betting are being drafted or have been introduced in Parliament.

Effective implementation of new and existing legislation will be critical to Trinidad and Tobago’s ability to consistently comply with international standards regarding its legal and regulatory frameworks and to demonstrate commitment to enforce AML laws. Similarly, implementation of criminal justice system reforms is necessary to improve Trinidad and Tobago’s capacity to investigate and prosecute money laundering cases successfully.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

As described above, Trinidad and Tobago has taken a number of steps to address its AML deficiencies. The country has completed a national risk assessment to better identify risks and vulnerabilities. The country has an action plan to work toward making improvements in areas such as international cooperation, legal entity transparency and beneficial ownership, prosecuting money laundering, and tracing and confiscating criminal assets.

A working group was created to allow for greater interagency cooperation with respect to the investigation and prosecution of financial crimes. Following the creation of a Seized Assets Advisory Committee in 2016, a High Court judge ordered assets to be seized for the first time in 2017. The funds were deposited into a Seized Assets Fund for distribution according to law. Only a small number of money laundering-related cases have led to indictments thus far, and there has not been a conviction to date.

AML stakeholders continue to face many challenges, however, particularly with respect to resources. A difficult budget environment due to declining revenues from energy-related production in the country will likely make these resource challenges more acute going forward.

## **Turkey**

### **OVERVIEW**

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, the Middle East, and Eastern Europe. Turkey's rapid economic growth over the past 15 years, coupled with its commercial relationships and geographical proximity to conflict areas, such as Iraq, Syria, and Crimea, makes Turkey vulnerable to money laundering risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. In addition to narcotics trafficking, other significant sources of laundered funds include smuggling, invoice fraud, tax evasion, sanctions evasion, corruption, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Recent conflicts on the southern border of Turkey, have, to a small extent, increased the risks for additional sources of money laundering.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Money laundering takes place in banks, non-financial institutions, and the informal economy. Laundering methods in Turkey include the large scale cross-border smuggling of currency; cross-border transfers involving both registered and unregistered exchange houses and money transfer companies; 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 to pay narcotics suppliers in Pakistan or Afghanistan. The transfer of money typically occurs through the non-bank financial system and bank transfers. Funds are often transferred to accounts in Pakistan, the United Arab Emirates, and other Middle Eastern countries.

## **KEY AML LAWS AND REGULATIONS**

The Financial Crimes Investigation Board (MASAK) is Turkey's FIU, and its mission is the prevention and detection of money laundering and terrorist financing offenses. KYC and STR regulations cover a variety of entities, including banks; bank or credit card issuers; authorized exchange houses; money lenders; financial services firms; dealers and auction houses dealing with historical artifacts, antiques, and art; and precious metals exchange intermediaries.

Turkey is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Turkey%20full.pdf>.

## **AML DEFICIENCIES**

Weaknesses in Turkey's regulatory framework and supervisory regime raise concerns that exchange houses, both registered and unregistered, and trading companies operating as unregistered money transmitters are vulnerable to misuse and could be exploited by illicit actors. Turkey's regulated exchange house sector is unwieldy and Turkish authorities face challenges overseeing the nearly 900 exchange houses under their watch. Additionally, there are indications that a large number of exchange houses and trading companies provide money transfer and foreign exchange services illegally.

Turkey's nonprofit sector is not audited on a regular basis for potential abuse for money laundering and does not receive adequate AML outreach or guidance from the government. The General Directorate of Foundations issues licenses for overseas charitable foundations. However, there are an insufficient number of auditors to cover the more than 100,000 NPOs.

A cash repatriation law enacted in August 2016 as part of a general economic stimulus package allowed Turkish citizens and corporations to freely transfer and use currency, gold, and other capital market instruments, declaring the source of funds. The law immunized declared funds from investigation and prosecution, which may have created a money laundering vulnerability. This law expired on June 30, 2017.

Other improvements Turkey needs to make include subjecting PEPs to enhanced due diligence; continuing to enhance MASAK's role in interagency cooperation and information sharing; improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations; improving the legal framework to allow for the freezing of assets; and identifying and taking action against unregistered MSBs, including trading companies that operate as money transmitters. To improve the deficiencies in its AML framework and implementation, Turkey will need to invest additional resources.

As a general rule, Turkey will consider implementing U.S. requests to freeze assets only if such requests are made pursuant to the provisions of UNSCR 1373.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, law enforcement capability, oversight, and outreach are weak, and many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach are lacking. Further, interagency coordination on AML is poor, and Turkey's financial and law enforcement agencies are often reluctant or unable under Turkish law to share actionable information with one another. Turkey also lacks the civil, regulatory, and supervisory tools needed to supplement public prosecutions, further limiting the Turkish government's ability to counter money laundering.

Turkey has not kept adequate statistics on money laundering prosecutions and convictions since 2009. Therefore, Turkey's record of official investigations, prosecutions, and convictions is unclear. No data was available for 2017.

## **Turkmenistan**

### **OVERVIEW**

Turkmenistan is not a regional financial center. There are five international banks and a small, underdeveloped domestic financial sector. The largest state banks include the State Bank for Foreign Economic Relations, Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, and Halk Bank. There are two smaller state banks, Senagat Bank, which provides general banking services, and Rysgal Bank, which was created by the Union of Entrepreneurs and Industrialists for its members. There are also five foreign commercial banks: a joint Turkmen-Turkish bank, a branch of the National Bank of Pakistan, the German Deutsche Bank and Commerzbank, and Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and the Government of Turkmenistan; they do not provide general banking services. The country's significant mineral and hydrocarbon exports are paid for through offshore accounts with little public scrutiny or accounting. Since the Government of Turkmenistan introduced numerous limitations on foreign currency exchange in 2016, converting local currency (manat) into foreign currency has become very difficult.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Given Turkmenistan's shared borders with Afghanistan and Iran, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics, as well as those derived from domestic criminal activities, including corruption. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders.

There are no offshore centers in the country, although much Turkmen wealth is kept offshore. The government reportedly is working to address this issue. In 2007, Turkmenistan created the Awaza Tourist Zone (ATZ) to promote development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

## **KEY AML LAWS AND REGULATIONS**

Over the last few years, the government has taken positive steps to combat money laundering and corruption. On June 2, 2017, the President created the State Service for Combating Economic Crimes in order to analyze corruption and investigate and prevent crimes involving economic and financial damage to the state, although its level of effectiveness remains in question. The government also continues to pursue international cooperation to curb offshore tax evasion.

On August 18, 2015, the Turkmen Parliament adopted a new AML/CFT Law that came into effect on January 1, 2016. The law is intended to address international cooperation and noted deficiencies regarding due diligence procedures for DNFBPs and PEPs, among other items. Turkmenistan has KYC and STR regulations.

Turkmenistan is a member of the EAG, a FATF-style regional body. Its most recent MER can be found at: <http://www.eurasiangroup.org/mers.php>.

## **AML DEFICIENCIES**

Turkmenistan is not subject to any U.S. or international sanctions or penalties.

Turkmenistan is not a member of the Egmont Group. In 2012, the President announced Turkmenistan would join the Egmont Group, but Turkmenistan has not yet done so.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Turkmenistan is a signatory to the 1988 UN Drug Convention. Turkmenistan's Inter-Agency Coordination Working Committee for Combating Money Laundering and Terrorism Financing operates under the Ministry of Finance. The lack of government transparency makes it extremely difficult to get information on money laundering, and there were no reports of prosecutions or convictions for money laundering in 2017.

Government agencies transitioned to National Financial Reporting Standards (NFRS) in January 2014. Although Turkmenistan's law requires banks to use the International Financial Reporting Standards (IFRS), which were implemented in 2012, not all banks have done so.

Turkmenistan's legal system provides protection and exemption from liability for financial institutions filing STRs with the FIU and sets limitations on disclosure of information financial institutions obtain in performing their AML obligations.

Serious enforcement efforts are necessary in order to combat money laundering, and the government should accelerate reforms that will make Turkmenistan's AML regime compliant with international standards. Additionally, there is a need for capacity building for law enforcement, customs, and border authorities in order to better recognize and combat money laundering.

## Ukraine

### **OVERVIEW**

Money laundering schemes remain a significant problem in Ukraine. Launderers distance themselves from illegal profits by registering under aliases and integrating laundered money into legal businesses. Money laundering trends remain unchanged, but the use of financial technologies significantly affects the circulation of money and the diversity of payment methods between parties. The most significant laundering schemes are connected to corruption and misappropriation of state assets. The government continues to investigate alleged corruption and misappropriation of state assets by former President Yanukovich and his associates. A notable success in 2017 was the return to the state budget of approximately U.S. \$1.5 billion embezzled from the government by Yanukovich and his family during his presidency – a success tempered by concerns regarding the transparency of the legal process by which the funds were returned.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Illicit proceeds in Ukraine are primarily generated through corruption; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; cybercrime; and tax evasion. Money launderers use various means to launder money, including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. The British Virgin Islands, Panama, Cyprus, and other offshore tax havens are often used to obscure ownership, evade taxes, or mask illicit profits. Ukraine's large shadow economy represents a significant money laundering vulnerability. Schemes using financial instruments such as liquid and illiquid securities, lending and deposit transactions, debentures, and fictitious contracts are widely used. Corruption exacerbates the money laundering problem in Ukraine. Furthermore, transnational organized crime syndicates utilize Ukraine as a transit country to launder illicit profits.

### **KEY AML LAWS AND REGULATIONS**

The State Financial Monitoring Service (SFMS), Ukraine's FIU, is the central authorized agency for AML/CFT monitoring.

The AML/CFT Law #889-VIII came into force on February 6, 2015, and was last updated on December 10, 2015. The law addresses the obligations of reporting entities, regulation and supervision, law enforcement agencies (LEA), risk-oriented approaches, PEPs, and the determination of beneficial owners.

On November 26, 2015, the Law of Ukraine "On the National Agency of Ukraine for detection, investigation and management of assets derived from corruption and other crimes" (ARO-AMO) came into force. ARO-AMO includes asset search and identification provisions.

Ukraine's AML/CFT Council approved a national risk assessment report on October 7, 2016. The report focuses on detecting national money laundering threats and provides a basis for recommendations.

On August 30, 2017, the Cabinet of Ministers of Ukraine adopted Resolution 601, which approved the Action Plan to implement the Strategy of System Development Aimed at Preventing and Counteracting the Legalization of Illegal Income, Money Laundering, Financing of Terrorism and Dissemination of Mass Destructive Weapons.

Information on financial investigations is exchanged using a secure information exchange channel through SFMS. Ukraine and the United States have a MLAT, coordinated through the Prosecutor General's Office (PGO) (on legal proceedings) or Ministry of Justice (on confiscation matters).

Ukraine is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/ukraine>.

### **AML DEFICIENCIES**

Ukraine must address the rise of cybercrime and related transnational organized crime activities by better examining the significant amounts of money flowing into its banking system. Ukraine needs to increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve the implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine banned the gaming industry in 2009, although it has subsequently announced its intention to legalize gaming. Any legalization of gaming should ensure regulations are put in place to counter the use of the gaming industry to launder money. The government should investigate how informal money and value transfer networks are used for the transfer of illicit proceeds. Ukraine should enact its draft bill on international LEA cooperation to implement its treaty obligations.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In the AML sphere, the identifying authority conducts a pre-trial investigation. From January-June 2017, the PGO reported 126 AML offenses with ongoing pre-trial investigations. Four cases were submitted to court, and the total amount of identified, related funds and property was approximately U.S. \$50,000.

Regional court rulings in March and September 2017 resulted in the transfer to the state budget of approximately U.S. \$1.5 billion in foreign currency-denominated cash, which the PGO claimed former President Yanukovich and his associates had stolen from the government and laundered through domestic shell companies. The government seized the cash and an estimated U.S. \$200 million worth of Ukrainian government bonds from accounts that the SFMS froze in 2014. Civil society organizations have raised suspicions about the government's unusual decision to classify nearly all details of both cases.

During the first nine months of 2017, the volume of filed STRs more than doubled to over 5 million STRs, totaling U.S. \$417 billion, which may be attributable to recent legislative updates addressing AML reporting obligations. The SFMS referred money laundering cases involving U.S. \$1.7 billion to Ukrainian LEA. The SFMS also monitors the transactions of so-called officials of the “DNR” and “LNR” (occupied Donetsk and Lugansk regions of Ukraine).

## **United Arab Emirates**

### **OVERVIEW**

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity and has aggressively expanded its financial services sector and FTZs. Illicit actors exploit the UAE’s relatively open business environment, multitude of global banks and exchange houses, and global transportation links to undertake illicit financial activity.

The UAE government is enhancing its AML program and has demonstrated both a willingness and capability to take action against illicit financial actors if those actors pose a direct national security threat or present a reputational risk to the UAE’s role as the leading regional financial hub. However, the UAE needs to continue increasing the resources devoted to investigating, prosecuting, and disrupting money laundering.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

The large number of exchange houses, MSBs, and general trading companies in the UAE, coupled with the UAE’s complex and uneven regulatory environment, presents a substantial challenge to tackling money laundering. There are occurrences of TBML, including through commodities used as counter-valuation in hawala transactions. Bulk cash smuggling and general trading companies illegally operating as exchange houses or remittance providers also pose significant systemic money laundering risks. Such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Iran, Iraq, Pakistan, Somalia, Syria, and Yemen.

Other money laundering vulnerabilities in the UAE include the real estate sector, access to the international gold and diamond trade, and the use of couriers to transfer illicit funds. A portion of the money laundering activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia.

The UAE has an extensive offshore financial center, with 45 FTZs, including two financial free zones. 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; however, the operation of financial entities in FTZs that are not identified, regulated, or supervised for financial activity presents a significant gap in regulatory oversight. Therefore, there is significant opportunity for illicit actors to engage in regulatory arbitrage and avoid the controls and supervision put in place by the Central Bank of the UAE (CBUAE) and the regulators of the two financial free zones.

The UAE government is showing progress in its ability to investigate suspected money laundering activity, although the government should increase the capacity and resources it devotes to investigating money laundering, both federally in the Anti-Money Laundering Suspicious Cases Unit, the FIU, and in emirate level law enforcement. The FIU needs to enhance its tactical and strategic analytical capability to be able to process large and complex financial intelligence and handle foreign information sharing requests.

### **KEY AML LAWS AND REGULATIONS**

The UAE is a party to relevant multilateral conventions that have mutual legal assistance provisions. AML law permits the CBUAE to freeze the assets of suspicious institutions or individuals. There are comprehensive KYC and STR regulations and enhanced due diligence procedures for both foreign and domestic PEPs.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-united-arab-emirates>.

### **AML DEFICIENCIES**

On a technical level, the UAE does not have any major AML deficiencies. However, the monitoring of financial institutions for AML purposes, particularly in the area of CDD, could be improved, and exchange houses and general trading companies should be more tightly regulated and supervised. The UAE should release the names of operating exchange houses, MSBs, and general trading companies, and annual statistics of AML prosecutions and convictions to better gauge the effectiveness of its regime.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The UAE government continues to enhance its AML program. Following the CBUAE's 2016 closure of Al Zarooni Exchange, a UAE-based money services business, the CBUAE and Dubai Police General Headquarters continued to cooperate with the U.S. government on the investigation, resulting in the designation of six additional Dubai-based individuals and entities engaged in money laundering activity associated with a designated transnational criminal organization. The UAE has sought to increase its compliance with international standards by expanding the scope of its money laundering offenses, verifying client identities, and enhancing the level of cooperation with equivalent regulatory authorities.

Several areas of AML implementation and enforcement require ongoing action by the UAE. Proactively developing money laundering cases and establishing appropriate policies and procedures regarding all aspects of asset forfeiture would strengthen the local enforcement regime. Additionally, enforcement of cash declaration regulations is weak. Officials should conduct more thorough inquiries into large amounts of declared and undeclared cash imported into the country, and enforce outbound declarations of cash and gold utilizing existing smuggling and AML laws. TBML also deserves greater scrutiny, 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.

## **United Kingdom**

### **OVERVIEW**

The UK plays a leading role in European and world finance. Money laundering presents a significant risk to the UK because of the size, sophistication, and reputation of its financial markets. UK law enforcement invested resources over a number of years in tackling cash-based money laundering and the drug trade, which largely generates proceeds in the form of cash. The UK should follow through on plans to fill intelligence gaps, strengthen the law enforcement response, remove inconsistencies in the supervisory regime, and increase its international reach to tackle money laundering.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Most money laundering is cash-based, particularly cash collection networks, international controllers, and MSBs. Professional enablers in the legal and accountancy sector are used to move and launder criminal proceeds. There have historically been intelligence gaps, in particular in relation to ‘high-end’ money laundering, where the proceeds are held in bank accounts, real estate, or other investments rather than cash; this type of laundering is particularly relevant to major frauds and serious foreign corruption. Law enforcement agencies have taken increased steps in recent years to fill these gaps.

### **KEY AML LAWS AND REGULATIONS**

Money laundering is criminalized, and the UK uses an “all crimes” approach to determine money laundering predicate crimes. The UK has a comprehensive AML regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK transposed the EU’s Fourth Anti-Money Laundering Directive into UK law in June 2017. The new regulations expand the definition of PEPs to include both foreign and domestic PEPs. Such measures are applied on a risk-sensitive basis. The Financial Conduct Authority (FCA) has provided guidance on how firms should identify PEPs, and how higher- and lower-risk PEPs should be treated.

The UK supervises both financial institutions and DNFBPs for AML compliance. There are 25 AML supervisors in the UK, ranging from public sector statutory organizations to professional bodies. The UK has a mandatory reporting process for supervisors. The Annual Report on AML/CFT supervision is intended to improve the transparency and accountability of supervision and enforcement in the UK and encourage the use of best practices. Her Majesty’s Treasury has completed a review of the effectiveness of the supervisory regime to address inconsistencies and to ensure a risk-based approach is fully embedded. As a result, the UK has introduced legislation to strengthen the requirements on all AML supervisors and is legislating to create a new team of

AML supervision experts in the FCA to share best practices across the system and help to ensure professional-body AML supervisors comply with their obligations.

The FCA is in charge of consumer protection and the integrity of the UK's financial system and directly supervises financial institutions for AML. The FCA follows a risk-based approach to AML supervision of financial institutions, working closely with regulatory and industry stakeholders to identify and mitigate current and emerging financial crime risks.

The UK is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/uz/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>.

### **AML DEFICIENCIES**

In 2016, the UK implemented an AML/CFT Action Plan to address deficiencies noted in the previous year's national risk assessment (NRA), including increasing collaboration among law enforcement agencies, supervisors, and the private sector; filling intelligence gaps and strengthening the law enforcement response; removing inconsistencies in the supervisory regime; and increasing the international reach to tackle money laundering. In 2017, the UK released another NRA, with key findings including substantial risks from high-end money laundering, typically involving fraud, corruption, or tax evasion; cash-based money laundering; and gaps in law enforcement's response to money laundering at the local police level.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

In 2016, there were 1,998 money laundering-related prosecutions and 1,435 convictions. In June 2014, the Crown Prosecution Service Proceeds of Crime team was established to streamline confiscation work, although asset recovery powers are available to a range of UK agencies. UK legislation provides for non-conviction-based confiscation as another means of recovering criminal assets, alongside conviction-based confiscation. Non-conviction-based asset recovery is most commonly used when it is not possible to obtain a conviction, for example, if a defendant has died or fled.

In June 2016, the UK established a freely accessible public register of company beneficial ownership information. Companies that do not provide information are subject to penalties. The register also may be used by covered entities to supplement, but not replace, CDD checks.

The UK is also developing a central register, only available to law enforcement and the FIU, of beneficial ownership information for trusts. Current proposals for this mechanism will require the registry of UK trusts. As for non-UK trusts, registration will be required for those trusts receiving income from a UK funding source and those trusts with taxable assets in the UK.

In 2016, the UK permanently instituted a Joint Money Laundering Intelligence Task Force, which brings together banks and key UK law enforcement agencies to collaborate on the detection and disruption of money launderers. The UK also formed the International Anti-

Corruption Coordination Centre, a multiagency international task force which includes U.S. law enforcement representatives.

## Uruguay

### **OVERVIEW**

Uruguay uses the U.S. dollar, often as a business currency; about 75 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Laundered criminal proceeds are derived primarily from foreign activities related to drug trafficking. Local drug dealers participate in a range of other illicit activities, including violent crimes. Law enforcement officials and the judiciary assess that Colombian, Italian, Mexican, Paraguayan, and Russian criminal organizations operate locally. Officials are concerned about growing transnational organized crime originating from Brazil and Peru.

Uruguay continues to make progress combating money laundering by passing new legislation, enforcing laws, and strengthening relevant regulatory agencies. The result is an overall improvement in fiscal transparency and international cooperation. In 2017, Uruguay completed a new risk assessment and as of December 2017 it was finalizing its 2020 AML strategy. On November 1, Uruguay transitioned from the inquisitorial legal system to the accusatorial penal code system, a change the government believes will help advance AML/CFT investigations.

Uruguay needs to increase transparency regarding non-financial entities, improve its AML system of analysis, provide for criminal liability for legal persons, and improve the management and disposition of seized assets and funds.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Given the longstanding free mobility of capital and the high degree of dollarization of the economy, the formal financial sector (onshore and offshore) is likely involved in money laundering. Uruguay does not permit offshore trusts. There are 14 representatives of offshore financial entities and one offshore bank. Uruguay's offshore financial services cater primarily to Argentine clients.

In recent years there have been several high-profile money laundering cases, including one related to the International Federation of Football Association (FIFA) and several linked to alleged laundering of funds from Argentina, Brazil, Mexico, Peru, and Spain. Publicized money laundering cases relate to narcotics and/or involve real estate. Government officials state local corruption is not a factor in money laundering in Uruguay.

There are 11 FTZs in Uruguay. Some of the warehouse-style FTZs and Montevideo's free port are likely transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay. In 2016, Uruguayan Customs gained authority to inspect FTZs and monitor their movements of goods in real time.

Due to Uruguay's porous borders with Argentina and Brazil, bulk cash smuggling and TBML are likely to occur frequently.

### **KEY AML LAWS AND REGULATIONS**

On December 20, 2017, the Parliament passed an integrated AML law. The new law consolidates all previous AML-related legislation into a single code and addresses several notable deficiencies. The law requires new entities, particularly certified public accountants, notaries, and non-profit organizations, such as political parties, churches, and soccer clubs, to report suspicious transactions. Along with other changes to local legislation, it also defines new money laundering predicate crimes, including tax evasion. The law also improves procedures to seize and administer assets, and the exchange of information with financial units abroad.

Earlier in 2017, parliament passed Law 19,484 on International Fiscal Transparency and AML/CFT. The law implements an automatic exchange of tax information with countries with which Uruguay has tax agreements, which does not include the United States. This law represents another major shift in Uruguayan policies by significantly relaxing Uruguay's previous longstanding protections that allowed bank secrecy. The law also discourages the use of tax havens by companies that operate locally.

Since 2012, Uruguay has intensified controls over bearer shares corporations. In 2017, Uruguay set up a registry of ultimate individual beneficiaries of corporations. Also in 2017, the Anti-Money Laundering Secretariat continued strengthening its controls over DNFBPs. Inspections surged from zero in 2015 to several hundred in 2017. The government took action in the form of warnings or fines in approximately 10 percent of inspections in 2017.

Other recent, significant developments include progress in developing an AML consolidated statistical system, perfecting and increasing the use of a risk matrix at the Central Bank's financial analysis unit, and development of AML online courses.

Uruguay has comprehensive CDD and STR requirements and enhanced due diligence procedures for PEPs.

Uruguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://gafilat.org/index.php/es/biblioteca-virtual/miembros/uruguay-1/evaluaciones-mutuas-16>.

### **AML DEFICIENCIES**

Legal persons are not subject to criminal liability under Uruguayan law.

Banks continue to file the vast majority of the STRs. Uruguay should undertake efforts to increase reporting from DNFBPs.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

From January to September 2017, the Information and Financial Analysis Unit, Uruguay's FIU, fined one securities intermediary and froze U.S. \$60 million in funds. The government prosecuted seven individuals and convicted four on money laundering charges from January 2016 through September 2017.

Uruguay needs to continue working with DNFBPs, amend its legislation to provide for criminal liability for legal persons, continue improving its statistical system of analysis, and improve the management and disposition of seized assets and funds.

## **Uzbekistan**

### **OVERVIEW**

Uzbekistan has made consistent efforts to meet international standards through new legislation. However, corruption and law enforcement's susceptibility to political influence limit the effectiveness of this legislative base. Connected individuals can circumvent established AML rules through private financial institutions, shell/mailbox companies, and bribery. The government's lack of transparency and reticence to engage with foreign partners makes verifying the effectiveness of law enforcement in countering money laundering difficult. Moreover, Uzbekistan prosecutes few cases on finance-related charges.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Uzbekistan is a transit country for Afghan opiates, which enter Uzbekistan mainly over its Afghan and Tajik borders. Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Well-connected individuals launder money domestically or move it abroad using corruption, private banks, and circumventing regulations. Offshore shell companies that conceal financial interests and proceeds remain a favored laundering method.

Uzbekistan's high customs-clearance costs encourage a black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but could be used to launder drug-related money.

### **KEY AML LAWS AND REGULATIONS**

The Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism is Uzbekistan's core AML legislation establishing comprehensive KYC and STR regulations, including for legal persons. This law specifies that the FIU, under the Office of the Prosecutor General, is the key governmental body responsible for AML enforcement. A 2016 amendment allows for asset freezes and suspension of transactions if transaction parties appear on a list of individuals/legal entities involved or suspected of involvement in proliferation of weapons of mass destruction. It also names the FIU as the body responsible for maintaining this list. In 2017, the FIU issued internal control procedures for commercial banks and credit institutions governing the suspension of transactions and freezing of funds or other assets and introducing enhanced due diligence for domestic PEPs.

Uzbekistan made progress toward meeting international standards through new legislation in 2017. The law “On combating corruption” came into force in 2017, and the President approved a 2017-2018 State Anti-Corruption Program, creating the Interagency Commission on Countering Corruption. Currency convertibility reform implemented in 2017 effectively eliminated the black market rate, and reduced unofficial markets and unofficial channels for remittances.

Uzbekistan’s FIU has signed a MOU with the DEA, which provides for information sharing with FinCEN and the Office of Foreign Asset Control of the Department of the Treasury.

Uzbekistan is a member of the EAG, a FATF-style regional body. Its most recent MER can be found at: <http://www.eurasiangroup.org/mers.php>.

### **AML DEFICIENCIES**

Legal entities are not criminally liable for money laundering activity. Although government officials are required to disclose income earned outside their public employment, these records are not publicly available.

KYC rules cover insurance companies, insurance brokers, securities market players, stock exchange members, financial leasing companies, and postal service operators, but such internal control measures were only recently implemented. The AML legislation does not include measures to prevent criminals from assuming a controlling financial interest in such entities.

The FIU may face pressure to cease investigations when suspicious bank transactions are linked to politically powerful interests.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Uzbekistan has made progress in implementing recommendations and closing legislative gaps. AML experts have noted the political will and progress by Uzbekistan in addressing identified deficiencies.

In 2017, Uzbekistan largely abstained from substantive cooperation with the U.S. government in enforcement and information exchange. The FIU and counternarcotics agencies refused to substantively engage with the DEA, despite the established MOUs.

In 2015, Uzbekistan’s FIU received over 4,000 money laundering-related STRs, but there were only eight money laundering-related prosecutions, with six convictions.

The United States and Uzbekistan do not have a bilateral MLAT. Uzbekistan is a signatory to relevant multilateral law enforcement conventions that have law enforcement cooperation provisions.

## Venezuela

### OVERVIEW

Conditions in Venezuela allow ample opportunities for financial abuses. Venezuela's proximity to drug source points and its status as a drug transit country, combined with weak AML supervision and enforcement, lack of political will, limited bilateral cooperation, an unstable economy, and endemic corruption make Venezuela vulnerable to money laundering and financial crimes. Venezuela's distorted and controlled multi-tiered foreign exchange system and strict price controls provide numerous opportunities for currency manipulation and goods arbitrage. They also cause many legitimate merchants to engage illicit actors to obtain access to U.S. dollars, facilitating money laundering. A robust black market continues to function in the porous border regions of Venezuela and Colombia. A significant amount of laundered funds come from drug trafficking, but informal traders also profit from currency manipulation. On September 20, 2017, FinCEN issued an Advisory on Widespread Public Corruption in Venezuela. The advisory warns financial institutions to prevent moving illicit proceeds tied to Venezuelan public corruption through the U.S. financial system. U.S. legal actions against Venezuelan citizens, including Venezuelan Vice President Tareck El Aissami, who was designated as a Foreign Narcotics Kingpin in February 2017, and other government officials and their relatives, have exposed questionable financial activities related to money laundering.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

Money laundering is widespread in Venezuela, and is evident in a number of areas, including government currency exchanges, commercial banks, gaming, real estate, agriculture, livestock, securities, metals, the petroleum industry, and minerals. TBML remains common and profitable. One such trade-based scheme, a variation of the black market peso exchange, involves drug traffickers providing narcotics-generated dollars from the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos. In turn, those Colombian pesos are exchanged for Venezuelan bolivars at the parallel exchange rate and used to repurchase dollars through Venezuela's currency control regime at much stronger official exchange rates. In Brazil and Paraguay, several seizures of large amounts of Venezuelan bolivars may be linked to drug trafficking, currency exchange scams, or U.S. dollar and euro counterfeiting schemes.

### KEY AML LAWS AND REGULATIONS

Revisions made in 2014 to the Organic Law Against Organized Crime and Financing of Terrorism were a step in the right direction, but the law lacks important mechanisms to combat domestic criminal organizations, such as the exclusion of the state and its companies from the scope of investigations. Roughly 900 types of offenses can be prosecuted as "organized crime" under the law. Such a broad mandate gives the government too much power, which has been used as a tool to suppress political opposition and intimidate its broadly-defined "enemies."

In 2014, the Anti-Corruption Law was revised and the National Anti-Corruption Body was created to combat corruption. The reform also creates a criminal penalty for bribes between two

private companies. However, similar to the organized crime legislation, the law differentiates between private and public companies and includes exemptions for public companies and government employees.

Venezuela is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela>.

### **AML DEFICIENCIES**

Although the Venezuelan government has organizations to combat financial crimes, their technical capacity and willingness to address this type of crime remain inadequate. Government AML and anti-corruption entities are ineffective and lack political will. The National Office against Organized Crime and Terrorist Finance has limited operational capabilities. Venezuela's FIU, the National Financial Intelligence Unit (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. A politicized judicial system further compromises the legal system's effectiveness and impartiality.

FinCEN suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of shared information. The suspension remains in effect. The UNIF should operate autonomously, independent of undue influence. Venezuela should increase AML institutional infrastructure and technical capacity.

There are enhanced due diligence procedures for foreign and domestic PEPs.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The government maintains a strict regime of currency controls. Private sector firms and individuals must request authorization from a government-operated currency commission to purchase hard currency to pay for imports and for other approved uses (e.g., foreign travel). Virtually all U.S. dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuela's official, "protected" exchange rate of 10 bolivars per U.S. dollar, as of October 2017, is used for vital imports. A second, complementary official exchange rate is ostensibly a floating exchange rate but has stayed relatively constant, while the volatile parallel exchange rate has increased to over 30,000 bolivars per U.S. dollar as of October 20, 2017. The huge margin achievable by defrauding the currency commission has resulted in sophisticated trade-based schemes, which may include the laundering of drug money. Numerous allegations suggest some government officials are complicit and even directly involved in such schemes. Venezuela's CTR regulations have not kept pace with Venezuela's high inflation, with the 10,000 bolivar threshold currently worth well under one dollar at the parallel rate.

## **Vietnam**

### **OVERVIEW**

Vietnam is not a regional financial center. Large parts of Vietnam's economy remain cash-based. Aided by a stable currency and low inflation, the government is reducing the use of both gold and U.S. dollars and is seeing success in de-dollarizing the economy. Vietnam is technically compliant with international AML standards and has made progress in many areas, including enacting laws for record keeping and international cooperation. Continuing economic growth and diversification, increased international trade, and a relatively young, tech-savvy population all suggest that Vietnam's exposure to illicit finance will increase in the coming years.

In 2017, Vietnam prosecuted its first money laundering case. To improve further, Vietnam needs to continue to build up its AML capabilities, especially within the Ministry of Public Security (MPS), the Supreme People's Procuracy (SPP), Ministry of Justice, Customs Department within the Ministry of Finance, the State Bank of Vietnam (SBV) and the AML Steering Committee. Vietnam will need political will and a stronger coordinated effort across government to increase enforcement of existing AML laws.

### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Sources of illicit funds in Vietnam include public corruption; fraud; gaming; prostitution; counterfeiting of goods; and trafficking in persons, drugs, and wildlife and related commodities. Remittances from Vietnamese organized crime groups in Europe, Australia, and North America continue to be a significant source of illicit funds entering Vietnam, particularly proceeds from narcotics and wildlife traffickers using Vietnam as a transit country.

Vietnam remains a predominantly cash-based economy. High-value items, including real estate and luxury vehicles, are routinely purchased with cash with few questions asked. Such practices hinder the effectiveness of monitoring processes within the banking system. As a result, the banking system is still at risk for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of exports and imports are common and could be indicators of TBML. Illicit funds are used to purchase real estate for subsequent resale.

### **KEY AML LAWS AND REGULATIONS**

The revised Penal Code, coming into effect on January 1, 2018, revises the money laundering offense and adds criminal liability for legal persons involved in money laundering. Vietnam has in place KYC and STR legal requirements. The SBV instituted standardized STR forms to ensure consistency of reported data; however, the system is not yet online, and as a result, local banks must file hard copies of STRs.

Vietnam does not have a records-exchange mechanism in place with the United States, but the government typically provides records and responses to the United States and other governments upon request.

Vietnam is a member of the APG, a FATF-style regional body. Its most recent MER can be found at: <http://www.apgml.org/includes/handlers/get-document.ashx?d=68a28c62-1ebe-41f7-8af6-e52ead79150c>.

### **AML DEFICIENCIES**

While Vietnam is technically compliant with current international standards, especially in terms of its legal framework, banking supervision for AML still needs improvement, and CDD and KYC policies within domestic banks need to be enhanced and fully implemented. Regulations on updating information of customers whose transactions originate in other countries are minimal and are weakly enforced.

Cross-border controls remain weak and demonstrate little effort to tackle the instances of bulk cash smuggling, and wildlife and drug trafficking. The lack of rigorous and impartial financial oversight of key state-owned enterprises (e.g., in the oil and gas sector), and the resulting opportunities for embezzlement, represent an additional AML vulnerability.

Vietnam is not a member of the Egmont Group of FIUs. Vietnam has applied for membership and is currently working with sponsors.

### **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Vietnam has a National AML/CFT Coordinating Committee chaired by a deputy prime minister and the Governor of the SBV. The country has a national AML/CFT Action Plan for 2015-2020, with several goals. While Vietnam's laws are adequate, AML enforcement needs to improve as Vietnam develops and updates its AML regulations.

With donor assistance, SBV and MPS are carrying out an AML/CFT national risk assessment (NRA), scheduled to be completed in June 2018, to identify high-risk areas vulnerable to money laundering. However, making sure the NRA accurately reflects the country's risks and vulnerabilities will take a coordinated effort and political will. Vietnam's adoption of any recommendations for reform will depend upon interagency and high-level support and action.

When police investigate predicate crimes, it is rare to have a parallel AML investigation due to lack of resources and difficulty in coordinating the efforts of stakeholders. Domestic cooperation among agencies such as the Anti-Money Laundering Department of the SBV, Vietnam's FIU; Customs; MPS; and the General Department of Taxation is rare because it is not codified. Currently cross-agency coordination occurs with signed MOUs. Progress towards changing operating practices among key agencies (MPS, SPP, and SBV) is still slow. In 2017, Vietnam prosecuted its first money laundering case with the sentencing of Giang Van Hien, who was convicted of laundering funds embezzled by his son from a state-owned enterprise.

International cooperation on AML and asset forfeiture is also generally poor, but has improved since SBV signed MOUs with nine foreign FIUs.

Vietnam has a system for restraint and forfeiture of criminally linked assets; however, enforcement is weak.