United States Department of State

Bureau for International Narcotics and Law Enforcement Affairs

International Narcotics Control Strategy Report

Volume II

Money Laundering and Financial Crimes

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Common Abbreviations

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

GIABA	Inter-Governmental Action Group against Money Laundering
HSI	Homeland Security Investigations
IBC	International Business Company
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service Criminal Investigative Division
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
MVTS	Money Value Transfer Service
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
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
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
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
USG	United States Government

MONEY LAUNDERING AND FINANCIAL CRIMES

Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2013 INCSR is the 30th annual report prepared pursuant to the FAA.[1]

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

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

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2013 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR also is required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex

[1] The 2013 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2013 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Specifically, the U.S. Treasury Department's Financial Crimes Enforcement Network, which, as a member of the international Egmont Group of Financial Intelligence Units, has unique strategic and tactical perspective on international anti-money laundering developments. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Homeland Security Investigations; Department of Justice's Asset Forfeiture and Money Laundering Section of Justice's Criminal Division, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development Assistance; and, Treasury's Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation and the Federal Reserve Board.

nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. Additionally, money laundering activity has moved beyond banks and traditional financial institutions to other non-financial businesses and professions and alternative money and value transfer systems. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose financial institutions and/or non-financial businesses and professions or other value transfer systems engage in transactions involving significant amounts of proceeds from all serious crime. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

Major Money Laundering Countries in 2012:

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

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

Introduction

The *2013 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as "Major Money Laundering Countries" have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where it has been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. Country

reports also provide links to the Department of State's "Country Reports on Terrorism" so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow interested readers to find detailed information on the country's AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States Government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2012, U. S. Government personnel continued to leverage their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring and support for supervisory, law enforcement, prosecutorial, customs and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. The United Nations Office on Drugs and Crime estimates $1.6 trillion or 2.7 percent of global Gross Domestic Product was laundered in 2009. It is believed financial flows related to drug trafficking and other related transnational organized crime were approximately $580 billion. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal and intelligence communities.

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

Bilateral Activities

Training and Technical Assistance

During 2012, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, regulators, supervisors, prosecutors and the judiciary the necessary tools to recognize, investigate, and prosecute money laundering, financial

crimes, terrorist financing, and related criminal activity. 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

An important component in the United States' efforts to combat and deter money laundering and terrorist financing is to verify that supervised financial organizations comply with the U.S. anti-money laundering/counter-terrorist financing (AML/CFT) laws and regulations and have programs in place to comply with the Office of Foreign Assets Control's sanctions programs. The Federal Reserve Board (FRB) monitors its supervised domestic financial institutions and organizations for compliance with these elements.

Internationally, during 2012, the FRB conducted training and provided technical assistance to banking supervisors in AML/CFT tactics during a seminar in Washington, D.C. Countries participating in this FRB initiative were Bangladesh, Czech Republic, Ghana, Haiti, Hong Kong, Italy, Kuwait, Malaysia, Nigeria, Philippines, Russia, Slovakia, and South Korea.

Due to the importance the FRB places on international standards, the FRB's AML experts participate regularly in the U.S. delegation to the Financial Action Task Force and the Basel Committee on Banking Supervision's AML Expert Group. Staff also meets frequently with industry groups and foreign supervisors to communicate U.S. supervisory expectations and support industry best practices in this area.

Department of Homeland Security

Homeland Security Investigations

During Fiscal Year 2012, Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), continued its commitment to providing financial investigative training to countries around the world. The HSI Illicit Finance and Proceeds of Crime Unit conducted and/or participated in training provided to over 1,874 members of foreign law enforcement, regulatory agencies, and bank and trade officials from over 100 nations around the world. Utilizing their broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendees with the critical skills necessary to successfully identify and investigate financial crimes. The programs included such topics as an introduction to money laundering, investigating bulk cash smuggling, asset forfeiture, an overview of unlicensed money services business/informal value transfer systems, prepaid access devices, and interviewing techniques.

Cross Border Financial Investigations Training Seminar

The Cross Border Financial Investigation Training (CBFIT) program provides specialized training, technical assistance, and best practices related to cross-border financial investigations to foreign law enforcement personnel, intelligence and administrative agencies, and judicial authorities.

CBFIT provides foreign partners with the capability to implement international standards, with special emphasis on new technologies, dissuasive actions, competent authorities, international cooperation, alternative remittance, and cash couriers.

Using primarily U.S. Department of State Bureau for International Narcotics and Law Enforcement Affairs (INL) funding, HSI provided blocks of training detailing the various aspects of money laundering and sharing of best practices on how to initiate multi-jurisdictional investigations from interdiction incidents. These countries included: Afghanistan, Bolivia, Brazil, Colombia, Dominican Republic, Egypt, Ethiopia, Indonesia, Mexico, Morocco, Panama, Paraguay, Peru, and Saudi Arabia, among others.

Through the U.S. Department of State's International Law Enforcement Academy (ILEA) programs, HSI conducted financial investigations and anti-money laundering training programs at various ILEA Training Centers.

Resident Cross Border Financial Investigations Advisor

HSI Special Agents and Intelligence Analysts have been deployed for extended periods of time to foreign posts to serve as Resident Cross Border Financial Investigations Advisors (R/CBFIA). The R/CBFIA acts as the point of contact to host nation authorities for the coordination of training sessions. Once training is completed, the R/CBFIA remains available for in–person and/or telephone mentoring of host nation partners related to incidents involving the interdiction of currency or other financial instruments. In 2012, R/CBFIAs were deployed to Afghanistan, Argentina, Malaysia, Morocco, Pakistan, Panama, Paraguay, and the Philippines.

Trade Transparency Units

Trade Transparency Units (TTUs) are designed to help identify significant disparities in import and export trade documentation and identify anomalies related to cross-border trade that are indicative of international trade-based money laundering. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems also have been used in terrorist financing. TTUs generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, HSI and participating foreign governments are able to see both sides of import and export transactions for commodities entering or exiting their countries, thus assisting in the investigation of international money

laundering organizations. The number of trade-based money laundering investigations emerging from TTU activity continues to grow.

The United States established a TTU within DHS/HSI that generates both domestic and international investigations. With funding support from the U.S. Department of State's INL, HSI continues to expand the network of operational TTUs which now include: Argentina, Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, and Paraguay. As part of the TTU initiative, HSI provided equipment and increased operational support to these TTU partners to ensure the network's successful development.

In 2012, HSI updated the technical capabilities of existing TTUs and trained TTU and financial intelligence unit personnel from Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, and Paraguay. Additionally, HSI strengthened its relationship with the TTUs by deploying temporary and permanent personnel overseas to work onsite and provide hands-on training. These actions have continued to facilitate information sharing between the U.S. and foreign TTUs, increased their effectiveness and enhanced joint criminal investigations.

Department of Justice

Drug Enforcement Administration

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

During 2012, FO conducted numerous international seminars for hundreds of foreign law enforcement and military counterparts to strategize regarding effective techniques to be utilized in financial investigations. Some of the foreign officials briefed by FO include representatives from Bulgaria, Colombia, Hong Kong, Italy, Kazakhstan, Macau, Mexico, Nigeria, Peru, Russia, Saudi Arabia, Tajikistan, Turkey and the United Kingdom. Additionally, FO briefed Ambassadors from Costa Rica and Malaysia. During 2012, FO conducted seminars in Costa Rica, Mexico, the Philippines, Trinidad and Tobago, Turkey, and Uruguay. FO also hosted an International Money Laundering Symposium in Ft. Lauderdale, Florida. This symposium was attended by over 120 law enforcement money laundering investigators from 32 countries. These investigators discussed the money laundering trends they were observing in their jurisdictions and effective law enforcement techniques to counter these trends. There were also several presentations

concerning emerging money laundering trends being used by criminal organizations around the world.

Federal Bureau of Investigation

During 2012, with the assistance of Department of State funding, the Federal Bureau of Investigation (FBI) continued extensive international training in combating terrorist financing, money laundering, financial fraud and complex financial crimes, as well as training in conducting racketeering enterprise investigations. One such training program is the FBI's International Training and Assistance Unit (ITAU), located at the FBI Academy in Quantico, Virginia. ITAU coordinates with the Terrorist Financing and Operations Section of the FBI's Counterterrorism Division, as well as other divisions at FBI headquarters and in the field, to provide instructors for these international initiatives. FBI instructors, who are most often financial analysts, intelligence analysts, staff operation specialists, operational Special Agents or Supervisory Special Agents, rely on their experience to relate to the international law enforcement students as peers and partners in the training courses.

The FBI regularly conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2012, the FBI delivered training to 237 students from 15 countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 50 students from nine countries in the Supervisory Criminal Investigators Course. At ILEA Gaborone, the FBI provided training to 164 students from 19 African countries. At ILEA San Salvador, the FBI provided training to 144 students from 19 Latin American countries.

Also in 2012, the FBI and the Internal Revenue Service, Criminal Investigative Division, conducted a one-week course on combating terrorist financing and money laundering for 364 international students from Brazil, Indonesia, Iraq, Jordan, Kenya, Morocco, Paraguay, Qatar, and Turkey.

At the FBI Academy, the FBI included blocks of instruction on combating terrorist financing and/or money laundering for 36 students participating in the Latin American Law Enforcement Executive Development Seminar; the students were from Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Panama, and Spain. The FBI included similar blocks of instruction for 23 students participating in the Arabic Language Law Enforcement Executive Development Seminar; the students were from Bahrain, Egypt, Jordon, Kuwait, Lebanon, Libya, Morocco, Palestinian Authority, Saudi Arabia, Tunisia, the United Arab Emirates, and Yemen. In addition, the FBI trained 35 Saudi Arabian students who participated in the first session of the Saudi Arabia Law Enforcement Executive Development Seminar held at the FBI Academy.

In addition, as part of the FBI's Pacific Training Initiative, the FBI included terrorist financing instruction for 50 participants from Cambodia, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, and Thailand.

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

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

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

In addition to training programs targeted to a country's immediate needs, OPDAT also provides long-term, in-country assistance through resident legal advisors (RLAs). RLAs are federal prosecutors who work directly with counterparts in legal and law enforcement agencies to provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. To promote reforms within the criminal justice sector, RLAs provide assistance in legislative drafting; modernizing institutional structures, policies and practices; and training law enforcement personnel, including prosecutors, judges, and – in collaboration with DOJ's International Criminal Investigative Training Assistance Program (ICITAP) – police and other investigative officials. OPDAT often works with other donors and multilateral organizations as well.

In 2012, OPDAT, AFMLS, and CTS met with and provided presentations to more than 150 international visitors from more than 17 countries on AML and/or CFT topics. Presentations covered U.S. policies to combat terrorism, U.S. legislation and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues.

Anti-Money Laundering/Asset Forfeiture/Fraud

In 2012, OPDAT and AFMLS provided assistance in drafting AML statutes compliant with international standards and provided training to foreign judges, prosecutors, and law enforcement officials; legislators; customs, supervisory, and financial intelligence unit personnel; and private sector participants. The content of individual technical assistance programs varied depending on the participants' specific needs, but topics addressed in 2012 include the investigation and prosecution of complex financial crimes, economic

crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; real estate fraud; and international mutual legal assistance.

AFMLS experts participated in a variety of conferences and seminars around the world including in Brazil, China, Malaysia, Taiwan, the United Arab Emirates (UAE) and Vietnam. Of note, OPDAT and AFMLS delivered an AML and asset forfeiture training program for an interagency audience of Pakistani government officials in Dubai, UAE. The program focused on identifying, investigating and prosecuting money laundering crimes and managing seized assets. AFMLS was instrumental in designing a core financial investigation and asset recovery program tailored to Pakistan's law and practice.

AFMLS, an RLA, and co-organizer the People's Republic of China (PRC) Ministry of Justice, conducted an Asset Recovery Workshop focusing on non-conviction based forfeiture in Beijing, PRC, for approximately 100 participants. The workshop provided the PRC attendees, in particular officials from its legislative committee, an understanding of the operation of a civil forfeiture system, setting the foundation for PRC-requested U.S. assistance on its drafting of proposed domestic civil forfeiture legislation.

In 2012, OPDAT, often in conjunction with other DOJ entities, hosted a number of U.S.-based programs and seminars on international law enforcement cooperation and judicial capacity. An example is AFMLS' participation in a judicial money laundering seminar organized by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), and attended by judges from Superior Courts of common law jurisdictions in West Africa. The seminar was targeted at those at the highest level of decision making in their jurisdictions, and aimed to improve the skills and knowledge of judges concerning economic and financial crimes.

Other 2012 international initiatives include seminars on corruption investigation and prosecution for members of Pakistan's National Accountability Bureau (NAB) in Islamabad, Lahore, and Karachi, Pakistan. The primary goal of the program was to demonstrate the interagency task force approach to the investigation and prosecution of public corruption.

Terrorism/Terrorist Financing

OPDAT, drawing on the expertise and assistance of other DOJ components, plays a central role in providing technical assistance to foreign counterparts to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this effort, OPDAT, AFMLS, and CTS work as integral parts of the U.S. Interagency Terrorist Financing Working Group (TFWG), chaired by the State Department.

In 2012, the TFWG supported five RLAs, located in Bangladesh, Iraq, Kenya, Turkey, and the UAE. The RLA for the UAE is responsible for OPDAT program activities in the UAE, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money

laundering and financial crimes and developing counter-terrorism legislation that comports with international standards. The RLAs implement these programs by providing training, assistance in legislative drafting, and support for the countries' AML/CFT efforts.

Some highlights of the RLAs' efforts in 2012 include an AML roundtable in Kenya and assistance to the Government of Kenya on the development of landmark counter-terrorism legislation; and assistance to the Government of Bangladesh on the development of key AML/CFT laws. Additionally, OPDAT organized workshops and seminars for the Turkish Ministry of Justice's Justice Academy, National Police and Financial Crimes Investigation Board on combating terror financing and prosecutorial approaches/tools to fighting terrorism. The programs presented the participants with investigative tools and techniques with the aim of increasing their capacity to disrupt, dismantle, and prosecute terror financing schemes.

Additional OPDAT conferences were held in Bangladesh, Indonesia, Jordan, the Philippines, and the UAE.

Department of State

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

INL and the State Department's Bureau for Counterterrorism co-chair the interagency Terrorist Finance Working Group (TFWG), and together are implementing a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries whose financial sectors have been used, or are vulnerable to being used, to finance terrorism. As is the case with the more than 100 other countries to which INL-funded training was delivered in 2012, the capacity to thwart the funding of terrorism is dependent on the development of a robust anti-money laundering regime. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and various nongovernmental organizations, the TFWG provided in 2012 a variety of law enforcement, regulatory and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations

that comport with international standards; the training of law enforcement, the judiciary and financial sector regulators; as well as the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions where the programs are targeted.

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

The State Department, in conjunction with DHS' Homeland Security Investigations and the Department of Treasury, supports eight trade transparency units (TTUs) in Latin America: three in the tri-border area of Brazil, Argentina, and Paraguay, and others in Colombia, Ecuador, Guatemala, Mexico, and Panama. TTUs, designed to help identify significant disparities in import and export trade documentation, continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs fosters the sharing of disparities in trade data between countries and is a potent weapon in combating customs fraud and trade-based money laundering. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems also have been used in terrorist financing.

The continuing and well publicized problems with narcotics and money laundering in the western hemisphere have caused us to focus on those jurisdictions closest to us through the Central American Regional Security Initiative and the Caribbean Basin Security Initiative. These programs provide support for law enforcement and supervisory initiatives in Central American and Caribbean jurisdictions.

West Africa is facing a growing danger from transnational organized crime (TOC), particularly narcotics traffickers, whose activities threaten the collective security and regional stability interests of the United States, our African partners, and the international community. Money laundering and financial crimes are particular concerns as the proceeds from TOC flow back to organizations that move illicit drugs to America and fuel corruption by government officials. To combat this threat, INL, working closely with the regional Africa Bureau, has spearheaded the West Africa Cooperative Security Initiative (WACSI), a whole-of-government approach towards fighting TOC. With its programming and through coordination with African and international partners, WACSI

works to build accountable institutions; establish legal and policy frameworks to counter TOC; strengthen security operations; reinforce justice operations; and address the socio-economic causes and consequences of TOC.

INL also provided support to the UN Global Programme against Money Laundering (GPML) in 2012. In addition to sponsoring money laundering conferences and providing short-term training courses, GPML's mentoring program provides advisors on a year-long basis to specific countries or regions. GPML mentors provided assistance to Horn of Africa countries targeted by the U.S. East Africa Counterterrorism Initiative and have focused on providing support to regional asset recovery networks in South Africa and South America as well as promoting the establishment of similar asset forfeiture support networks in West Africa and the Asia Pacific region. The resident mentor based in South Africa monitored the Prosecutor Placement Program, an initiative aimed at placing prosecutors from the region for a certain period of time within the asset forfeiture unit of South Africa's national prosecuting authority. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes.

INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2012, INL supported The Financial Action Task Force (FATF), the international AML/CFT standard setting organization. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering with the U.S. Department of the Treasury and DOJ, INL is a financial supporter of FATF-style regional bodies' secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force, the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), and the Eastern and Southern Africa Anti-Money Laundering Group. In addition to providing funding to GPML to place a residential mentor in Dakar, Senegal, to assist those member states of GIABA that have enacted the necessary legislation to develop FIUs, INL worked with the mentor to determine priorities and develop opportunities and programs.

INL also financially supported the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee. OAS/CICAD has focused successfully on improving the capacity of investigators, prosecutors and judges throughout Latin America through its mock investigation and trial workshops and its confiscated criminal assets management programs.

INL supported anti-piracy efforts by substantively working with other bureaus within DOS, GPML, other international organizations, and other countries to look at the best way to address piracy through its financial levers – the assets assembled as a result of piracy activity, and the material support and instrumentalities of piracy – and the application of domestic and international instruments to thwart pirates as we do other criminals.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial and supervisory authorities to design and provide training and technical assistance to countries with the political will to develop viable AML/CFT regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South America, and Eastern Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies.

International Law Enforcement Academies

The mission of the regional International Law Enforcement Academies (ILEAs) is to support emerging democracies; help protect U.S. interests through international cooperation; and promote social, political and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships among American law enforcement agencies and their counterparts around the world.

Since the first ILEA opened in 1995, the program has grown to five academies worldwide, and has provided training to over 42,000 students from countries in Africa, Europe, Asia, and across Latin America. ILEAs offer three different types of programs to address global threats: a core program; specialized courses; and seminars and workshops. The core program is a six-week intensive professional development program, the Law Enforcement Leadership Development (LELD) program, designed for mid-level law enforcement practitioners, and is tailored to region-specific needs and emerging global threats. The core program typically includes 50 participants, normally from three or more countries. The specialized courses, comprised of about 30 participants, are one or two-week courses for law enforcement or criminal justice officials on a specific topic. Lastly, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counter-terrorism.

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

Africa. ILEA Gaborone (Botswana) opened in 2001. ILEA Gaborone delivers four LELD programs annually and also offers specialized courses for police and other criminal justice officials to boost their capacity to work with U.S. and regional counterparts. These courses concentrate on specific methods and techniques in a variety of subjects, such as anti-corruption, financial crimes, border security, drug enforcement, firearms, explosives, and wildlife investigation. ILEA Gaborone provided training to approximately 740 students in 2012.

Asia. ILEA Bangkok (Thailand) opened in 1999, and focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia. Courses focus on combating illicit drug

trafficking, terrorist financing and financial crimes, illicit wildlife trafficking, environmental crimes, and human trafficking. Each year, ILEA Bangkok provides one LELD program and specialized courses on a variety of criminal justice topics. ILEA Bangkok trained approximately 1,330 students in 2012.

Europe. ILEA Budapest (Hungary) was the first ILEA, established in 1995. ILEA Budapest delivers five LELD programs annually and also offers specialized courses on regional threats such as organized crime, environmental crime, terrorist financing and financial crimes, and cybercrime. ILEA Budapest trained approximately 1,100 students in 2012.

Global. ILEA Roswell (New Mexico) opened in September 2001. ILEA Roswell provides the tools necessary to enable partner countries to formulate and execute effective and responsible criminal justice public policy. Unlike other ILEAs, ILEA Roswell draws its recruits from graduates of regional Academies in Budapest, Bangkok, Gaborone, San Salvador and the ILEA Regional Training Center (RTC) in Lima, Peru. ILEA Roswell trained approximately 60 students in 2012.

Latin America. ILEA San Salvador (El Salvador) opened in 2005. ILEA San Salvador delivers four LELD programs annually and also offers specialized courses on regional threats as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador courses concentrate on anti-gang programs, international terrorism, illegal trafficking in drugs, alien smuggling, terrorist financing and financial crimes. ILEA San Salvador trained approximately 1,170 students in 2012.

The **ILEA Regional Training Center** in Lima (Peru) opened in 2007 to complement the mission of ILEA San Salvador. The RTC augments the delivery of region-specific training for Latin America and concentrates on specialized courses on critical topics for countries in the Southern Cone and Andean Regions. The RTC trained approximately 340 students in 2012.

Department of the Treasury

Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury and is the U.S. financial intelligence unit (FIU). In 2012, FinCEN hosted representatives from a variety of foreign government agencies, focusing on topics such as money laundering trends and patterns, U.S. anti-money laundering legislation, the USA PATRIOT ACT, communications systems and databases, and case processing. A number of these visitors were participants in the U.S. Department of State's International Visitor Leadership Program.

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

FinCEN regularly engages with foreign FIUs to exchange information on operational practices and issues of mutual concern. The participants in these exchanges share ideas, innovations, and insights that lead to improvements in such areas as analysis, information flow, and information security at their home FIUs, in addition to deeper and more sustained operational collaboration. In 2012, FinCEN conducted orientation sessions for the FIUs of Algeria and Tanzania as well as analyst exchanges with the FIUs of Azerbaijan, India, Indonesia, Kazakhstan, Nigeria, Pakistan, Qatar, Saudi Arabia, South Africa, and Thailand.

Internal Revenue Service, Criminal Investigative Division

For calendar year 2012, the Internal Revenue Service, Criminal Investigation (IRS-CI) continued international training and technical assistance efforts designed to assist international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes. With funding provided by the U.S. Department of State and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs to international law enforcement agencies. Training consisted of Basic and Intermediate Financial Investigative Techniques, Money Laundering, Public Corruption, Special Investigative Techniques, Bribery Awareness and Terrorist Financing.

Financial Investigative Techniques Training

IRS-CI conducted Financial Investigative Techniques (FIT) courses funded by an interagency agreement between the Department of State and IRS-CI in Algeria, Bosnia and Herzegovina, Cambodia, Egypt, Honduras, Hong Kong, Hungary, Indonesia, Mexico, Montenegro, Nigeria, Singapore, South Korea, and Thailand.

Other Training Initiatives

IRS-CI delivered multiple training programs that were funded through various sources. Bribery Awareness/Money Laundering training was conducted in cooperation with the Organization for Economic Cooperation and Development. Sessions were held in Korea, Mexico, South Africa, and Turkey. IRS-CI assisted the Department of Justice Office of Overseas Prosecutorial Development, Assistance and Training in delivering training to Mexican government officials on the topics of Financial Intelligence Analysis in Money Laundering Investigations. The Transnational Crimes Affairs Section sponsored a one week Fraud and Public Corruption course that was delivered to 46 participants. This curriculum included an extensive case study which stressed the numerous methods of bribery and corruption.

IRS-CI also assisted the Federal Bureau of Investigation in delivering Terrorist Financing/Money Laundering sessions to over 256 law enforcement officials in Indonesia, Jordan, Kenya, Morocco, Paraguay, Qatar, and Thailand.

International Law Enforcement Academy Training

IRS-CI provided instructor support at the International Law Enforcement Academies (ILEA) located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; San Salvador, El Salvador; and the satellite office in Lima, Peru.

ILEA Bangkok: IRS-CI participated in one Supervisory Criminal Investigator Course which included 49 law enforcement officials from eight countries. A one-week Fraud and Public Corruption course was presented to 41 participants from nine countries. A FIT course was presented to 49 students from Cambodia, China, Hong Kong, Indonesia, Korea, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

ILEA Budapest: IRS-CI participated in delivering five sessions of the ILEA core program. Participating countries include: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, and Ukraine. A FIT course was presented to 29 law enforcement officials from Georgia, Moldova, and Serbia.

ILEA Gaborone: IRS-CI provided instructor support for four Law Enforcement Executive Development programs. Countries participating were Benin, Botswana, Burkina Faso, Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Mauritius, Namibia, Nigeria, South Africa, Seychelles, Swaziland, Tanzania, Togo, Uganda, and Zambia.

ILEA San Salvador: IRS-CI assisted in the delivery of four sessions of the Law Enforcement Management Development Program (LEMDP). LEMDP stresses the importance of conducting a financial investigation to further develop a large scale criminal investigation. Participants from Antigua and Barbuda, Argentina, Bahamas, Belize, Colombia, Costa Rica, Dominica, El Salvador, Guatemala, Honduras, Jamaica, Panama, St. Kitts and Nevis, St. Vincent and the Grenadines, and Uruguay attended. IRS-CI also led two week-long FIT courses. One session was held at the El Salvador training facility and the other in Lima, Peru. The 78 participants were members of their respective national police agencies and prosecutors' offices. The FIT course provided an overview of global and regional investigative issues using a highly interactive simulated investigation.

Non-routine Training Events

IRS-CI completed several non-routine training events including sessions in Barbados, Cambodia, and Lithuania. IRS-CI personnel also served as guest instructors for foreign law enforcement training sessions at the Canadian financial intelligence unit. Training needs assessments were completed in China, Honduras and Nigeria.

Office of the Comptroller of the Currency

The U.S. Department of Treasury's Office of the Comptroller of the Currency (OCC) charters, regulates and supervises all national banks and federal savings associations in the U.S. Its goal is to ensure these institutions operate in a safe and sound manner and comply with all consumer protection and anti-money laundering laws and implementing regulations. In 2012, the OCC sponsored several initiatives to provide anti-money laundering/counter-financing of terrorism (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 terrorist financing typologies and improve their ability to examine for and enforce compliance with national laws. The 2012 school was attended by foreign supervisors from Australia, Brazil, Canada, China, Columbia, Ghana, India, Indonesia, Netherlands, Philippines, Singapore, South Korea, and Turkey. The OCC also conducted an AML/CFT School for the Association of Banking Supervisors of the Americas in San Salvador, El Salvador. The school was attended by foreign supervisors from Brazil, Chile, Columbia, Costa

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

The OCC continued its industry outreach efforts to the international banking community during 2012 by participating with other federal banking agencies in regulator panels at the Association of Certified Anti-Money Laundering Specialists' 11th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

The OCC also participated in a series of Financial Action Task Force (FATF) working group and plenary meetings held in February, June, and October 2012, as well as the Basel Committee on Banking Supervision Anti-Money Laundering Expert Group. On an ad hoc basis, OCC meets with delegations from various countries to discuss the U.S. AML regime and approach to conducting supervisory examinations. In 2012, OCC met with a delegation from China and Columbia.

Office of Technical Assistance

OTA is part of the Treasury Department and is comprised of five subject-matter teams focused on technical assistance to governments to promote financial sector development. OTA receives direct appropriations funding from the U.S. Congress. Additional funding sources include the U.S. State Department, Bureau of International Narcotics and Law Enforcement Affairs; the U.S. Agency for International Development; U.S. embassies; and the Millennium Challenge Corporation, among others.

The mission of the Economic Crimes Team (ECT) is to provide technical assistance in the development of anti-money laundering/counter-terrorist financing (AML/CFT) regimes. In that context, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. The ECT mission entails a comprehensive approach to technical assistance, and its engagements are predicated on express requests by foreign government counterparts. ECT management conducts an on-site assessment of the jurisdiction, to consider not only non-compliance with international standards and the corresponding need for technical assistance, but also willingness by the counterpart to engage in a 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 (RA) or utilize intermittent advisors, under the coordination of a team leader. The nature of ECT technical assistance is broad and can include awareness-raising aimed at the full range of AML/CFT stakeholders and efforts to improve the legal framework and/or the technical competence of stakeholders. The range of training provided by the ECT is equally broad and includes financial investigative techniques; forensic accounting; financial analytic techniques; cross-border currency movement and trade-based money laundering; supervisory techniques; electronic evidence collection; the use of interagency task forces; and measures to address corruption as well as organized crime.

In 2012, the ECT delivered technical assistance programs in 23 jurisdictions. In the Western Hemisphere, the ECT operated RA programs in Costa Rica, Guatemala, and Honduras, as well as

intermittent advisor programs in El Salvador, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. Highlights for 2012 include an ongoing regional initiative in Central America aimed at cross border movements; a regional law enforcement working group; designated non-financial businesses and professions; money laundering prosecutions; asset management; and AML supervision in the insurance, securities and pension sectors. The ECT also laid the groundwork for program expansion in the Eastern Caribbean in 2013.

In Africa and the Middle East in 2012, the ECT operated RA programs in Botswana, Iraq, Morocco, the Palestinian Authority and Saudi Arabia, as well as an intermittent advisor program in Ghana. Program highlights include support for the development of financial intelligence units in each of those jurisdictions. In Iraq, the ECT program focused its partnership on the Iraqi Commission on Integrity and the interplay among corruption, money laundering and asset recovery.

Likewise, in Europe and Asia in 2012, the ECT operated RA programs in Afghanistan, Kosovo and the Mekong Region (Cambodia and Vietnam) and intermittent programs in Armenia, Azerbaijan, Georgia, Moldova and Turkmenistan. Particular attention was focused on financial analytical and investigative skills development.

Federal Deposit Insurance Corporation

In 2012, the Federal Deposit Insurance Corporation (FDIC) continued to work in partnership with several Federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused primarily on training and outreach initiatives. In partnership with the U.S. Department of State, the FDIC hosted three anti-money laundering/counter-financing of terrorism (AML/CFT) training sessions for 68 representatives from Bahrain, Bangladesh, Djibouti, Ethiopia, India, Indonesia, Kuwait, Malaysia, Niger, Oman, Philippines, Qatar, Thailand, and Yemen. The training addressed current trends and methodologies, the AML examination process, suspicious activity monitoring, customer due diligence, and foreign correspondent banking risks and controls

During the year, the FDIC met with six representatives from the Financial Monitoring Service of Azerbaijan and one representative from the Insurance Regulatory and Development Authority of India to discuss AML issues. Topics included AML examination policies and procedures, the USA PATRIOT Act rules, suspicious activity reporting requirements, and government information sharing mechanisms.

Treaties, Agreements, and Asset Sharing

Treaties

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and related matters. In money laundering cases, they can be

extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, are in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Canada, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius and St. Maarten), Nigeria, Panama, Philippines, Poland, Romania, Russia, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Kingdom (including the Isle of Man, Cayman Islands, Anguilla, British Virgin Islands, Montserrat, and Turks and Caicos), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplemented existing MLATs or created new mutual legal assistance relationships between the United States and every member of the EU. A mutual legal assistance agreement has been signed by the United States but not yet brought into force with Colombia. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism and the 1988 UN Drug Convention.

Agreements

In addition to MLATs, the United States has a Mutual Legal Assistance Agreement (MLAA) with China, as well as a MLAA between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. The United States also has entered into bilateral executive agreements on forfeiture cooperation with 19 countries, including: Anguilla, Austria, British Virgin Islands, Canada, the Cayman Islands, Colombia, the Dominican Republic, Ecuador, Hong Kong, Jamaica, Mexico, Monaco, Montserrat, the Netherlands, Singapore, the Turks and Caicos Islands, the United Kingdom, and the Bailiwicks of Jersey and Guernsey (in drug cases only).

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

Slovenia, South Africa, South Korea, Spain, Sri Lanka, the Money Laundering Prevention Commission of Taiwan, Turkey, and the United Kingdom.

Asset Sharing

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

From 1989 through 2012, the international asset sharing program, administered by the Department of Justice, shared $246,745,918 with 42 foreign governments that cooperated and assisted in investigations. In 2012, the Department of Justice agreed to transfer $1,750,000 in forfeited proceeds to the Government of the Cayman Islands, and $1,646,237 in forfeited proceeds to the Government of Mexico. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Israel, Jersey, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, and Venezuela.

From Fiscal Year (FY) 1994 through FY 2012, the international asset-sharing program administered by the Department of Treasury shared $34,916,198 with foreign governments that cooperated and assisted in successful forfeiture investigations. In FY 2012, the Department of Treasury transferred $2,052,555 to the Bailiwick of Jersey, $364,999 to Cayman Islands, $119,203 to Canada, $1,291,616 to Luxembourg and $609,802 to the United Kingdom. Prior recipients of shared assets include: Aruba, Australia, the Bahamas, Brazil, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Mexico, Netherlands, Nicaragua, Palau, Panama, Portugal, Qatar, St. Vincent & the Grenadines, and Switzerland.

Multi-Lateral Organizations & Programs

The Financial Action Task Force and FATF-Style Regional Bodies

The Financial Action Task Force

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

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

The Asia/Pacific Group on Money Laundering

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

The Caribbean Financial Action Task Force

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 29 members: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent

and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, and Venezuela.

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997. MONEYVAL is comprised of 28 permanent members; two temporary, rotating FATF members; and two active observers. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, and Ukraine. The active observers are the Holy See and Israel. Temporary members, designated by the FATF for a two-year membership, are currently Austria and France.

The Eastern and Southern Africa Anti-Money Laundering Group

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

The Eurasian Group on Combating Money Laundering and Financing of Terrorism

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

The Financial Action Task Force on Money Laundering in South America

The Financial Action Task Force on Money Laundering in South America (GAFISUD) was established in 2000. The 12 GAFISUD members are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay.

Inter-Governmental Action Group against Money Laundering in West Africa

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established in 1999. GIABA consists of 15 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

The Middle East and North Africa Financial Action Task Force

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

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

The Organization of American States (OAS), through the Inter-American Drug Abuse Control Commission (CICAD) under the Secretariat for Multidimensional Security (SMS), is responsible for addressing illicit drug trafficking and related crimes, including money laundering. CICAD's training programs seek to enhance the knowledge and capabilities of law enforcement agencies to detect, investigate and prosecute these crimes in Latin America and the Caribbean. The U.S. Department of State, through its Bureau for International Narcotics and Law Enforcement Affairs, provided full or partial funding for many CICAD training activities.

Expert Group to Control Money Laundering

The Expert Group, comprised of legal and law enforcement specialists appointed by member states, met twice in 2012, focusing on two areas: cooperation among financial intelligence units (FIU) and law enforcement agencies, and the seizure and forfeiture of assets resulting from money laundering and related offenses. The CICAD Commission adopted several documents produced by the Expert Group: a comparative study of legislation in the countries in the hemisphere and a normative guide for the creation and development of specialized methods to administer seized and forfeited assets; a document on asset forfeiture and mechanisms to share forfeited assets; and a document on principles and best practices on the use and protection of FIU information and the coordination and integration of FIUs and criminal investigation agencies.

Capacity Building

The CICAD Executive Secretariat sponsored or participated in 12 training events, both country- and region-specific, that reached 440 judges, prosecutors, public defenders, law enforcement agents and FIU analysts. In March, it delivered two workshops (Ecuador and Uruguay) to train FIU analysts in performing links and relationships analysis related to reporting on suspicious banking activity and cash transactions.

CICAD's Anti Money Laundering section continued working jointly with the Inter-American Committee against Terrorism (OAS/CICTE) and organized workshops for

judges and prosecutors on terrorism financing in the Dominican Republic and El Salvador.

As part of a coordinated effort by international organizations, CICAD joined with OAS/CICTE, the Executive Directorate of the United Nations Counter-Terrorism Committee, the Terrorism Prevention Branch of the United Nations Office on Drugs and Crime, and the Financial Action Task Force on Money Laundering in South America to create the MECOOR Initiative to develop joint capacity building projects to prevent and fight money laundering and terrorism financing. In 2012, they organized a national training event on combating money laundering and terrorism financing for judges and prosecutors in Santa Cruz de la Sierra, Bolivia, and a regional training event in Lima, Peru for judges and prosecutors from four countries.

In order to strengthen the capacities of investigators responsible for conducting investigations of money laundering and organized crime, three workshops on Special Investigative Techniques (SIT) took place in Paraguay (1) and Peru (2). The course is based on the analysis of money laundering convictions in which SIT played an important function in the investigation and prosecution process, with the discussion of cases, experiences and best practices with a team of CICAD experts.

Seized and Forfeited Assets

CICAD's Project on the Management of Seized and Confiscated Assets in Latin America continued working with national governments, mainly El Salvador and the Dominican Republic. In June, it brought together in Costa Rica 50 participants from Brazil, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama to discuss the current consensus on best practices and procedures in this field. The CICAD Executive Secretariat developed and implemented coursework on the maintenance, custody and disposition of seized and forfeited assets with the goal of strengthening the technical capacity of the agencies involved. It delivered six workshops on proper and efficient management of these assets in order to prevent their loss or deterioration, training around 330 officers in Argentina, Chile, Costa Rica, the Dominican Republic, Guatemala, and Panama.

Technical Assistance and Cooperation

The CICAD Executive Secretariat followed through on technical assistance to the Government of Peru, initially reviewing the legal framework concerning money laundering offenses. It provided recommendations to the government for developing the National Commission on Seized Assets and drafting internal manuals for organization and operations. The CICAD Executive Secretariat and the Superintendency of Banking and Insurance (SBS) of Peru implemented an agreement for a regional training program on combating money laundering and terrorism financing, based in the SBS Lima facilities. Under this agreement, among other events, in October 2012 the center held a seminar on money laundering in the gaming industry for judges, prosecutors, FIU

analysts and casino operators on topics related to the detection, analysis and investigation of suspicious transactions in the gaming industry.

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

The United Nations Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established to assist member states to comply with the UN Conventions and other instruments that deal with money laundering and terrorist financing. Since 2001, GPML's technical assistance work on counter-terrorist financing (CFT) also has been a priority. GPML now incorporates a focus on CFT in all its technical assistance work. In 2012, GPML provided long term assistance in the development of anti-money laundering/counter-terrorist financing (AML/CFT) programs to 42 countries. GPML also delivered 43 training events worldwide and three international conferences, often in partnership with other agencies and organizations. GPML trained 1,378 representatives of law enforcement agencies, financial intelligence units (FIUs), judicial authorities, and reporting entities.

The Mentoring Program

GPML's mentoring program is one of the most successful and well known activities of international AML/CFT technical assistance and training. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions. In many countries, GPML mentors are the only locally placed AML/CFT experts, hence they are heavily relied upon by local offices of donor countries and organizations for advice in the creation and delivery of other donor AML/CFT projects. During 2012, GPML employed five mentors, two of which are shared with the World Bank. GPML mentors stationed in Central Asia, Kenya, South Africa, Vietnam, and West Africa worked extensively on the development and implementation of a wide variety of AML/CFT programs and procedures in individual countries and surrounding regions.

GPML Initiatives

Illicit Financial Flows: In 2012, the tracking of illicit financial flows linked to piracy was a high priority. The focus was on Somalia and the Horn of Africa. GPML continued to raise awareness of the issue and highlight practical steps that member states in the region can take to combat illicit financial flows. GPML conducted several field research missions for the joint UNODC - World Bank - INTERPOL study on illicit financial flows linked to piracy.

As part of a UNODC initiative which aims to reduce the supply, trafficking and consumption of opiates in Afghanistan and neighbouring countries, GPML has taken the lead in combating financial flows to and from Afghanistan linked to the illicit drug

production and trafficking. GPML conducted follow-up meetings from the 2011 technical meeting in Abu Dhabi, United Arab Emirates, on illicit financial flows and was instrumental in helping to organize the third round of Paris Pact meetings in Vienna, which resulted in the Vienna Declaration.

Asset Recovery: In 2012, GPML continued to support the establishment and operation of two asset forfeiture mechanisms. Dedicated attention has been applied to the development of the Asset Recovery Network for Southern Africa (ARINSA), and continued support has been given to the Red de la Recuperation de Activos de GAFISUD (RRAG). Based on the model of Europol's Camden Asset Recovery Inter-Agency Network (CARIN), these regional mechanisms encourage collaboration, information sharing, and cooperation among prosecutors, investigators, and law enforcement dealing with asset confiscation and recovery at the national and regional levels. GPML also has supported efforts to launch regional asset forfeiture networks for prosecutors and financial investigators in the Asia-Pacific, and West Africa regions. A specific workshop on the recovery of stolen assets was provided in Senegal under the banner of the joint World Bank and UNODC Stolen Asset Recovery (StAR) Program.

Other GPML Tools and Services

AML/CFT Awareness Raising for Domestic Authorities, Compliance Officers and the Private Sector: This training focuses on raising awareness of AML/CFT vulnerabilities and reporting and compliance obligations. It encourages cross-agency operational cooperation, and builds bridges between the private and public sectors. In 2012, training was delivered in Cambodia, Cape Verde, Kenya, Mauritania, Niger, Senegal, and Togo.

National AML/CFT Risk Assessment Training: This training helps member states understand and implement Financial Action Task Force Recommendations on risk assessments. In 2012, training was delivered in Kazakhstan, the Kyrgyz Republic, and Serbia.

Financial Intelligence Unit Analyst Course: The course focuses on analysis of suspicious transactions related to possible money laundering and terrorist financing. The course also addresses relationships among the FIU and agencies responsible for investigation of money laundering and terrorist financing. In 2012, training was delivered in Algeria, Ethiopia, Jordan, and the Philippines.

Financial Investigation Course: This course has a practical focus and is designed upon legal and procedural processes in the country of training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches and undertake interviews. In 2012, the training was delivered in Cambodia, Laos, and Vietnam.

Countering Cash Couriers: GPML's cash courier training provides an opportunity for border control, police and FIU staff to develop their knowledge and skills in the

mechanisms for monitoring cross-border transportation of cash and bearer negotiable instruments as well as the identification and interdiction of cash couriers. In 2012, the course was delivered in Cambodia, Ethiopia, Kenya, Laos, and Vietnam, as well as to Afghanistan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan via regional training. GPML also developed a short course for Customs supervisors and managers, which it delivered in Indonesia and the Philippines. In addition, GPML assists national border control agencies in the development of operations manuals to serve as resource guides for border control officers.

Development of AML/CFT Experts/Trainers: This program, which can be customized for national law enforcement training institutions, involves the design and development of AML/CFT training modules and the development of national AML/CFT subject matter experts through a series of train-the-trainer and technical workshops. In 2012 GPML conducted workshops in Tunisia and Vietnam.

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

AML/CFT Advisory Services and Model Legislation: GPML has developed a model law for civil law legal systems in collaboration with UNODC's Legal Advisory Program and the International Monetary Fund (IMF); and for common law legal systems, jointly with the Commonwealth Secretariat and the IMF, to assist countries in setting up their AML/CFT legislation. GPML provides legal advisory services to member states requesting assistance in modifying their domestic legislation. In 2012, assistance was provided to Ethiopia and Zimbabwe.

Training in Leveraging AML systems to Combat Trafficking in Persons and Smuggling of Migrants: The training for police, FIU staff, prosecutors, and specialists in investigation and victim counseling covers various aspects of financial investigation which can be used to identify and investigate organized crime groups involved in human trafficking and migrant smuggling. This training was delivered in 2012 to Cameroon.

Information Technology Solutions for AML/CFT

Computer Based Training: GPML has produced and disseminated 13 computer-based training modules on AML-related topics aimed at law enforcement personnel and other key officials involved in combating money laundering. These particular modules provide an overview of AML issues and a basic understanding of the methods and practical measures required to address them. Since 2003 over 50,000 people have been trained in 20 countries.

goAML: The program is an analytical and integrated database and intelligence analysis system for operational deployment in FIUs to assist them in managing their activities,

particularly data collection, analysis, and dissemination. Version one of goAML has been installed in a range of countries, to include Bermuda, Denmark, Kosovo, Morocco, Namibia, Netherlands, Nigeria, Palestine, South Africa, and Tanzania.

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

The Egmont Group of Financial Intelligence Units

The Egmont Group of Financial Intelligence Units began in 1995 as a small group of national entities—today referred to as financial intelligence units (FIUs)—seeking to explore ways to cooperate internationally among themselves. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorist financing, and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorist financing and money laundering. Today the FIU concept is an important component of the international community's approach to combating money laundering and terrorist financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 131 FIUs in 2012. The FIUs of Gabon, Jordan, Tajikistan, and Tunisia joined the Egmont Group in 2012.

The Egmont Group is organizationally structured to meet the challenges of the large membership and its workload. The Egmont Committee is an intermediary group between the 131 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. The Egmont Group's secure Internet system permits members to communicate with one another via secure email, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools and technological developments.

As of 2012, the 131 members of the Egmont Group are the FIUs of Afghanistan, Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Belgium, Belize, Bermuda, Bosnia and Herzegovina, Brazil, British Virgin Islands, Bulgaria, Cameroon, Canada, Cayman

Islands, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Gabon, Georgia, Germany, Gibraltar, Greece, Grenada, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Netherlands, New Zealand, Nigeria, Niue, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Singapore, Slovak Republic, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sweden, Switzerland, Syria, Tajikistan, Taiwan, Thailand, Tunisia, Turkey, Turks and Caicos, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, and Venezuela.

Major Money Laundering Countries

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

The 2013 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

"Jurisdictions of Primary Concern" are those identified, pursuant to INCSR reporting requirements, as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Thus, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the Financial Action Task Force's International Cooperation Review Group exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical.

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

crimes; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) the ways in which the U.S. Government (USG) regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the USG. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." While the actual money laundering problem in jurisdictions classified as "Jurisdictions of Concern" is not as acute as in those considered to be of "Primary Concern," they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

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

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and non-bank financial institutions.
- Lack of or inadequate "know your customer" requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.

- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing, and disseminating to the competent authorities information on large value, suspicious or unusual financial transactions that might identify possible money laundering activity.
- Lack of or weak bank regulatory controls, or failure to adopt or adhere to the Basel Committee's "Core Principles for Effective Banking Supervision," especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or alternative remittance systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities for 2012

There were no changes to the classifications of countries or jurisdictions for 2012.

In the Country/Jurisdiction Table directly below, "major money laundering countries" that are in the "Jurisdictions of Primary Concern" category are identified for purposes of INCSR statutory reporting requirements. Identification as a "major money laundering country" is based on whether the country or jurisdiction's financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the "Jurisdictions of Concern" or "Other Jurisdictions Monitored" category.

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

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern

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

Countries/Jurisdictions of Concern

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

Other Countries/Jurisdictions Monitored

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

Comparative Table Key

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

Glossary of Terms

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

order to counter money laundering. An asterisk (*) reflects those jurisdictions that are not members of the Egmont Group of FIUs.

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

Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommends countermeasures against the country/jurisdiction.

Comparative Table

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Andorra	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Angola	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	N	N	N	N	N	N	Y	Y	Y	Y	N
Anguilla[2]	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Aruba[3]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

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

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

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cape Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Cayman Islands[2]	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	N	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Curacao[3]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Cyprus[4]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N

[4]

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

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

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Japan	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	N	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	N	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Laos	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau[5]	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	N	Y	N	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Mali	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Marshall Islands	Y	Y	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritius	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Montserrat[2]	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N	Y	N	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	N	N	N	N	Y	N	N
North Korea	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	N	N	N	Y
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	N	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome And Principe	Y	Y	Y	N	Y	N	N	N	N	Y*	N	N	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	N	Y	N
Singapore	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
South Korea	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
South Sudan	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N
Timor-Leste	N	N	Y	N	Y	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	Y	N
Togo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turks and Caicos[2]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	N	N	Y	Y	Y	Y	N	N	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Vietnam	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Yemen	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Zambia	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y

INCSR Volume II Template Key

INTRODUCTORY PARAGRAPH

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: (specify)
Are legal persons covered: **criminally:** (Y/N) **civilly:** (Y/N)

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

The second question addresses whether legal persons, that is, corporations, partnerships, or any legal entity, are liable for money laundering/terrorist financing activity and whether they are subject to criminal penalties, such as fines. Additionally, are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

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

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame:

Number of CTRs received and time frame:

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

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2012, will be included.

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers,

real estate brokers, high value goods dealers and accountants, among others, should all be covered by such programs.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2012, will be included. The report will not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

If available, the report will include the numbers of prosecutions and convictions and the relevant time frames. The most recent information, preferably the activity in 2012, will be included.

RECORDS EXCHANGE MECHANISM:

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

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

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Information in this section should include changes in policy, law, and implementation of regulations occurring since January 1, 2012, and any issues or deficiencies noted in the country/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative deficiencies, and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with U.S. Government (USG) agencies, or has refused to cooperate with the USG or foreign governments, as well as any actions taken by the USG or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.

Countries/Jurisdictions of Primary Concern

Afghanistan

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Central Bank of Afghanistan (DAB), banks, registered money service businesses (MSBs), insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 22 in 2012
Convictions: 0

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

Using Presidential executive orders the GOA has frozen bank accounts owned by hawala networks listed under UNSCR 1988. There are no instances of seized bank accounts, and there is no mechanism for asset sharing. The GOA should work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets. Afghanistan should provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties.

Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Insurance companies and securities dealers are technically under the regulatory regime and are required to file STRs, but the GOA does not enforce this requirement. Dealers in precious metals and stones, lawyers, accountants, and real estate agents are not supervised in Afghanistan. The GOA should

pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and comply with anti-money laundering/combating the financing of terrorism (AML/CFT) regulations.

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

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

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

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

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

money laundering; establish a fully operational and effectively functioning FIU; and establish and implement effective controls for cross-border cash transactions.

Antigua and Barbuda

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102: January 1 – November 7, 2012

Number of CTRs received and time frame: 591: January 1 – November 7, 2012

STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2012

Convictions: 3 in 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

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

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

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

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

Argentina

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

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

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay.

While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption; there has been an increase in domestic drug consumption and production. Argentine officials also identified smuggling, corruption and different types of fraud as major sources of illegal proceeds. A substantial portion of illicit revenue also comes from black market peso exchanges or informal value transfers. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the United States are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. U.S. law enforcement agencies consider the tri-border area (Argentina, Paraguay and Brazil) to be a major source of smuggling, especially of pirated products.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,308 in 2011

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

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

Argentine exchange houses are significantly more regulated than similar operations in other Latin American countries. However, in 2012 Argentina sharply limited access to foreign exchange in the formal market for most purposes, which drove most foreign exchange activities away from formal actors and into the informal sector. The market shift away from formal methods of exchange makes it difficult to evaluate the effectiveness of new regulations.

The UIF claims it made significant progress in formalizing transactions in the real estate sector, a significant area for money laundering operations. Its efforts were directed toward triangulating the reports of notaries, real estate agents, and real estate registrars to

insure consistency. Consequently, there was a significant decrease in real estate sales in Argentina in the past year as these policies were implemented. However, it is difficult to determine if this change is due to increased difficulties in acquiring foreign currency (traditionally real estate in Argentina has been priced in U.S. dollars), an economic slowdown, or efforts to make money laundering through real estate more difficult. There was a significant increase in the number of STRs filed in 2011 when compared to 2010.

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

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

Australia

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 48,155: July 2011 - June 2012

Number of CTRs received and time frame: 16,332: July 2011 - June 2012

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 65: July 2011 - June 2012

Convictions: 53: July 2011 - June 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The Attorney-General's Department is the policy agency responsible for the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) in collaboration with the Australian Transaction and Reports Analysis Center (AUSTRAC) who administers the Act and is also the country's anti-money laundering regulator and financial intelligence unit. Australia's financial system benefits from its global best practices regulatory regime. AUSTRAC works collaboratively with Australian industries and businesses in their compliance with anti-money laundering/counter-terrorism financing (AML/CFT) legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas.

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

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

Austria

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 537 in 2011

Convictions: 6 in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A bilateral forfeited asset sharing agreement with the United States that entered into force in March 2011 still has not taken effect in Austria. The agreement applies retroactively to a June 2004 request from the United States that asked the Austrian authorities to recognize a final U.S. forfeiture judgment against drug proceeds in a bank account in Austria belonging to a convicted drug trafficker. Subsequent court decisions, including both an Austrian interim appeals court decision and a Supreme Court decision – ordered the Vienna bank holding the assets to turn them over to the Government of Austria. However, the Austrian courts are now considering a series of appeals to that decision and the latest action has been pending before the Austrian Supreme Court since April 2012. Under the 2011 asset sharing agreement, the United States is seeking the recovery of 50 percent of the forfeited proceeds, with the remainder going to the Government of Austria.

Austria has a combination of both an "all serious crimes" approach plus a list of predicate offenses which do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards. Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles.

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

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

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

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

A January 2012 report criticized Austria's anti-money laundering controls, stating that Austria should implement stronger measures to fight cross-border corruption and money laundering. The report also singled out the Austrian Banker's Association by citing the

group as an obstacle to law enforcement investigations and also noted that Austria's gambling sector needs stricter monitoring.

Bahamas

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

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

Gaming is legal for tourists. The Bahamas has three large casinos and a fourth is scheduled to open in March 2013 in Bimini. Ferry service between Florida and Bimini, located just 50 miles off the Florida coast, also is scheduled to begin in March 2013. The $2.6 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort will open in 2014 in New Providence as the largest casino in the Caribbean. Current law excludes Bahamian citizens, permanent residents, and temporary workers from gambling in the Bahamas. Illicit gaming operations based on U.S.-based lottery results and the internet, locally known as "web shops," flourish in The Bahamas. The Government of the Commonwealth of The Bahamas (GOB) has scheduled a referendum for January 2013, to consider the legalization of web shop gaming.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM

ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 183 in 2011

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2011

Convictions: 0 in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The GOB should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and to safeguard the financial system from possible abuses. Gaming will expand in 2013, from the growth of casino

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

Belize

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

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

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

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM

ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 82: January 1 - November 8, 2012

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14: January 2009 - September 2012

Convictions: 11: January 2009 - September 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The August 2012 "Domestic Banks and Financial Institution Act" strengthens internal anti-money laundering (AML) controls. The Act improves provisions to govern domestic banks and financial institutions by strengthening the supervisory powers and regulatory independence of the Central Bank, addressing deficiencies and vulnerabilities in the domestic banking sector, and providing for the appointment of a statutory license

administrator, where appropriate, to protect the interests of depositors, creditors and shareholders. While the Act enhances the Central Bank's control of domestic banks and financial institutions, the GOB should determine how the act can be used to strengthen money laundering investigations and prosecutions.

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

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

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

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

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

Bolivia

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

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. An estimated 70 percent of Bolivia's economy is informal, with proceeds entering the formal market through the financial system. There is no indication

the illicit financial activity is linked to terrorist financing, though lack of proper safeguards creates a vulnerability to such activity.

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 70: January through October 2012
Convictions: Not available

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

The GOB should address AML/CFT legislative deficiencies and extend its laws to broaden the list of predicate offenses. Additionally, the GOB should strengthen the current legal and regulatory framework of the UIF and fulfill the requirements for reinstatement into the Egmont Group.

Brazil

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities

brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

British Virgin Islands

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 152 in 2011

Number of CTRs received and time frame: 59: January - June 2012

STR covered entities: Banks; currency exchanges and money remitters; trusts and company service providers; mutual and public fund managers; insurance companies, agents and brokers; non-governmental organizations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; money service businesses; lawyers and accountants; real estate agents; casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2011

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In July 2012, The Proceeds of Criminal Conduct (Amended) Act (PCCA), 2012 significantly increased penalties for most money laundering criminal acts. Additionally,

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

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

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

Burma

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

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

Corruption is endemic in both business and government. State-owned enterprises and military holding companies control a substantial portion of Burma's resources, although

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

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

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

In its October 2012 Public Statement, the Financial Action Task Force (FATF) notes that Burma has taken steps to improve its AML/CFT regime, including by removing its reservations to the extradition articles of several international conventions. However, FATF expressed concern that Burma has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies. The United States continues to issue advisories to financial institutions, alerting them of the risk posed by Burma's AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 97: January 1 to October 31, 2012

Number of CTRs received and time frame: 172,559: January 1 to October 31, 2012

STR covered entities: Banks (including bank-operated money changing counters); GOB bodies such as the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department and Ministry of Mines; state-owned insurance company and small loans enterprise; securities exchange; accountants, auditors, the legal and real estate sectors; and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma's financial sector is extremely underdeveloped and most currency is held outside the formal banking system. The informal economy generates few reliable records, and the GOB makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is likewise extremely weak. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available GOB information precludes confirmation of such conduct. Burmese law does not contain any customer due diligence (CDD) requirements, although the Central Bank (CB) issues guidelines for banks to follow and some entities implement CDD procedures under other, non-AML related legal provisions. The government should

draft new KYC/CDD rules and expand the number of organizations required to have such rules.

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

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

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

Cambodia

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 58: January - October 2012

Number of CTRs received and time frame: 778,408: January - October 2012

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January - October 2012

Convictions: 0: January - October 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdiction: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

The law on AML/CFT excludes pawn shops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law. In April 2012, the GOC issued a sub-decree to establish a National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), as a permanent and senior-level coordination mechanism for preventing and controlling money laundering and terrorist financing in Cambodia. The NCC has the authority to coordinate with all stakeholders and to make decisions on the prevention and control of money laundering and terrorism financing in Cambodia. The key role of the NCC is to ensure the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT efforts. It is too early to tell what effect this committee will have on the country's AML deficiencies.

The GOC should work to strengthen control over its porous borders. Cambodia should design and implement effective operational procedures both within affected agencies as well as among agencies, and measure the effectiveness of these procedures on an ongoing basis. It must also provide training to increase the capacity of commercial banks, law

enforcement agencies, and regulatory bodies, as well as empower law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

Canada

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 70,392 in 2012

Number of CTRs received and time frame: 35,026 in 2012

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 180 in 2011
Convictions: 18 in 2011

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

Deficiencies were identified in Canada's anti-money laundering/counter-terrorist financing (AML/CFT) regime relating to its customer due diligence obligations. The Government of Canada published proposed regulations amending the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations in October 2012, in order to address those deficiencies. The proposed changes would require reporting entities to better identify customers and understand their business, consequently enabling the reporting entities to identify transactions and activities that are at greater risk for money laundering or terrorist financing. The final regulations will go into effect one year after publication.

Canada should continue its work to strengthen its AML/CFT measures within the casino industry and reduce the length of time needed for FINTRAC to prepare reports used by

law enforcement authorities. Canada also should continue to ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

Cayman Islands

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

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of September 2011, the banking sector had $1.60 trillion in assets. There are more than 92,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, at the end of December 2012, there were 226 banks, 143 active trust licenses, 741 captive insurance companies, six money service businesses, and 10,841 registered mutual funds, of which 408 were administered and 121 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6: Time frame unknown
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

China

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

Most money laundering cases currently under investigation involve funds obtained from corruption, fraud, drug smuggling, and bribery. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit unions, securities dealers, insurance and trust companies; financial leasing and auto finance companies; and currency brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 61,852,018 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, securities and futures institutions, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 11,380 in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While China's October 2011 legislation has addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies remain to be addressed. These include guidance for designated non-financial businesses

and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions.

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

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

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

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

Colombia

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

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

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

Free trade zones (FTZs) in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency. Colombia's FTZ law opens investment to international companies, allows one-company or stand-alone FTZs, and permits the designation of pre-existing plants as FTZs. As of October 2012, there are 104 FTZs in Colombia. Companies within FTZs enjoy a series of benefits such as a preferential corporate income tax rate and exemption from customs duties and value-added taxes on imported materials. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,842: January through August 2012

Number of CTRs received and time frame: 7,943,732: January through August 2012

STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 97 in 2012

Convictions: 80 in 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

The GOC should put in place streamlined procedures for the liquidation and sale of seized assets under state management and should revise procedures to permit expedited forfeiture of seized assets. An average seven- to ten-year time frame for forfeiture opens opportunities for waste, fraud, and abuse while limiting the deterrent effect that could result from rapid forfeiture. Colombian prosecutors should take steps to not only seize

the physical assets (real property) of narcotics traffickers but also seize their Colombian bank accounts. This element is frequently not a part of regular Colombian asset seizure operations. In addition, the GOC should increase the number of judges and related administrative support resources that oversee asset forfeiture and money laundering cases to expedite the judicial process. The GOC is currently working on a revision of its asset forfeiture law. Key steps to the new streamlined approach include one expedited personal notification about forfeiture (at present, notifications can take up to six months or two years), the ability to notify and seize at the same time, and elimination of the appellate hierarchy that currently allows three opportunities to appeal. An important component will be a provision to allow Colombian courts to enforce asset forfeiture judgments of foreign courts without needing to resort to the current lengthy process. This law is slated to reach Congress during its next session in February 2013.

The GOC works extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in drug and other financial crimes. In November 2012, a GOC money laundering unit took steps to seize the property of former retired General Mauricio Santoyo, head of security for former President Uribe, due to his ties to the United Self-Defense Forces of Colombia (AUC), named a foreign terrorist organization by the United States in September 2001. The Attorney General's Office seized property including nine farms, five vehicles, a commercial establishment, and a factory. The goods will go to the National Drugs Directorate for further action. In September 2012, the GOC worked closely with the U.S. on a case involving Juliana Rubio Isaza, a Colombian woman who was extradited to the U.S. on money laundering charges. A U.S. investigation revealed she worked as a stock broker for Stanford, S.A. and belonged to the organization of Manuel Madero Luzardo alias "El Pato". Rubio is said to have laundered money totalling more than $1.5 million from drug related activities in Mexico and the U.S. Colombia's technical investigations body captured Rubio in January 2012, along with seven other key members of the El Pato organization.

Costa Rica

Proceeds from international cocaine trafficking represent the most significant source of assets laundered in Costa Rica. The Costa Rican-based internet gaming industry also launders millions of dollars in illicit proceeds through Costa Rica and offshore centers annually. Proceeds from domestic criminal activities, including narcotics trafficking, financial frauds, human trafficking, corruption and contraband smuggling, are also laundered in Costa Rica. The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used by foreign organizations as a bridge to send funds to and from other jurisdictions using bulk cash shipments and companies or financial institutions located offshore.

Criminal organizations utilize financial institutions, licensed and unlicensed money remitters, and the free trade zones (FTZs) to launder the proceeds of their illicit activities. The money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. The smuggling of bulk currency across borders with Panama and Nicaragua is also prevalent. Trade-based money laundering, while used, is

not detected with the same frequency as the above typologies. There is no recent investigation related to terrorism financing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 186: January 1 – November 19, 2012

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 3: January 1 – November 19, 2012

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOCR made substantial progress enhancing its anti-money laundering (AML) regime through modifications to the legal and regulatory frameworks. Additional AML regulations for financial institutions and designated non-financial businesses and professions (DNFBPs) were implemented in 2012. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information.

However, various obstacles still exist that prevent the GOCR from effectively investigating and prosecuting money laundering crimes. Underutilized investigative tools, such as cooperating witnesses, confidential informants, electronic surveillance, and undercover operations reduce the ability of investigators to pursue these investigations. Costa Rica enacted a non-conviction based asset forfeiture law in 2009. However, the GOCR has not successfully pursued a case under this law, and it will likely need to be reformed. Costa Rican law does not contemplate the sharing of forfeited assets with other countries.

Pursuant to an interpretation of Costa Rican law, money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). This practice diminishes the independent nature of the offense and greatly reduces the amount of potential money laundering prosecutions. In addition, criminal liability does not extend to legal persons.

The unregulated online gaming and casino industries pose significant risks for money laundering. The legislature rejected proposed provisions to create a regulatory body when it passed a recent gaming bill. It is difficult for the GOCR to verify the source of funds used for local real estate purchases on behalf of foreign buyers.

Despite these limitations, the attorney general's office successfully prosecuted an individual for laundering millions of dollars generated from contraband cigarette sales in the United States. The case represented the first sophisticated money laundering prosecution in Costa Rica. Costa Rica fully cooperates with appropriate United States government law enforcement agencies investigating financial crimes related to narcotics and other crimes. Additionally, Costa Rica has a tax information exchange agreement with the United States.

Curacao

Curacao is an autonomous entity within the Kingdom of the Netherlands (KON). Curacao enjoys a high degree of autonomy on most internal matters, but defers to the KON on matters of defense, foreign policy, final judicial review, human rights, and good governance. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy and use offshore banking and incorporation systems, economic free zone areas, and resort/casino complexes to place, layer and launder drug proceeds. Another possible area of money laundering activity may be through wire transfers between the island and the Netherlands. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

Curacao has two economic free zones. It is not known to what extent "contrabanding" (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) occurs. The worldwide financial recession continues to slow the economic activities of the zones, although local merchants are confident this will change soon. Curacao has an active "e-zone" which provides e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

Curacao's offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, and international finance companies. The extent of this sector is not clear, but it has declined in scale due to the worldwide financial crisis. Also, several international financial services companies have relocated their businesses elsewhere because the island suffers from a negative international perception as a tax haven. Banking regulations require international banks to have a physical presence and maintain records on the island. Owning bearer shares is prohibited for onshore companies, and international companies must maintain bearer shares in custody. Several casinos and Internet gaming companies operate on the island, although the number of Internet gaming companies is declining.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,005: January – early November 2012
Number of CTRs received and time frame: 4,557: January – early November 2012
STR covered entities: Local and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers , casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS*:*

During the past year, the Public Prosecutor's Office initiated an ongoing money laundering investigation into Robbie Dos Santos, a member of the board of the Curacao Lottery Foundation and a major lottery operator. The Government of Curacao's (GOC) cooperation with the U.S. government led to the freezing of over $30 million of Dos Santos' assets in the United States. Dos Santos is the half-brother of former Finance Minister George Jamaloodin, and reportedly a major donor to the Movementu Futuro Kòrsou political party in Curacao. Dos Santos reportedly has business ties to the owner of Atlantis World Group (owner of several casinos in Curacao and St. Maarten),

Francesco Corallo. Italy has an outstanding arrest warrant for Corallo on charges related to money laundering.

The GOC should continue its regulation and supervision of the offshore sector and free trade zones, as well as its pursuit of money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

The Mutual Legal Assistance Treaty between the KON and the United States applies to Curacao; however, the treaty is not applicable to requests for assistance relating to fiscal offenses addressed to the Netherlands Antilles.

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

Cyprus

Since 1974, Cyprus has been divided de facto into the Republic of Cyprus (ROC)-controlled two-thirds of the island and the remaining one-third, administered by Turkish Cypriots. The ROC government is the only internationally recognized authority; in practice, it does not exercise effective control over the area administered by Turkish Cypriots, a part of the island Turkish Cypriots declared independent in 1983. The United States does not recognize the area administered by Turkish Cypriots, nor does any country other than Turkey. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows.

The ROC is a regional financial center with a robust financial services industry and a significant number of nonresident businesses. A number of factors have contributed to the development of Cyprus as a financial center: a preferential tax regime; double tax treaties with 45 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); well developed and modern legal, accounting and banking systems; a sophisticated telecommunications infrastructure; and EU membership. Companies formerly classified as offshore are now free to engage in business locally. There are over 240,000 international business companies (IBCs) registered in Cyprus, many of which belong to non-residents. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies. The ultimate beneficial owners of IBCs registered in Cyprus must be disclosed to the authorities.

The biggest threats for money laundering in the ROC are primarily from domestic and international financial crime. There is no significant black market for smuggled goods in the ROC. What little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The ROC has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and ROC legislation. The Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods. Additionally, the Ministry of Commerce, Industry and Tourism has management oversight over the Larnaca FTZ.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 525 in 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, attorneys, plus any person who in the course of his profession, business or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 76 in 2011
Convictions: 18 in 2011

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

The ROC is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body (FSRB). Its most recent mutual evaluation report can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cyprus has enacted comprehensive legislation and established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. Cyprus has no provisions allowing civil forfeiture of assets without a criminal case. The police and the financial intelligence unit (FIU) are responsible for tracing, seizing and freezing assets and they enforce existing legislation. Cyprus has an independent national system and mechanism for freezing terrorist assets, and has also engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

In December 2012, Cyprus passed several new laws upgrading its existing anti-money laundering (AML) legal framework within the context of its request for bailout assistance from the EU. The changes clarify the nature of information subject to exchange with foreign tax authorities; enhance the ability of the FIU to cooperate with foreign authorities; provide increased jail sentences for persons convicted of offenses pertaining to stalling or avoiding paying taxes; address certain deficiencies in Cyprus' existing framework for regulating and supervising lawyers, accountants, and trustees; and call for a comprehensive review of the ROC's existing bank AML supervisory framework.

Area Administered by Turkish Cypriots

The Turkish Cypriot community lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos. There are currently 22 banks (seven of which are branches) in the area administered by Turkish Cypriots, and Internet banking is available.

The offshore banking sector remains a concern. The offshore sector consists of nine banks and 90 companies. The offshore banks may not conduct business with residents of

the area administered by Turkish Cypriots and may not deal in cash. The "Central Bank" provides the regulation and licensing of offshore banks and audits the offshore entities, which must submit an annual report on their activities. The "law" permits only banks previously licensed by Organization for Economic Co-operation and Development (OECD)-member nations or Turkey to operate an offshore branch in northern Cyprus.

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 105: January 1 - October 30, 2011

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite the 2009 promulgation of stricter "laws," the 24 operating casinos (four in Nicosia, five in Famagusta and 15 in Kyrenia) remain essentially unregulated due to the lack of an enforcement or investigative mechanism by the casino regulatory body and efforts to de-criminalize any failure by casinos to follow KYC regulations.

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

The EU continues to provide technical assistance to the Turkish Cypriots to combat money laundering more effectively. The EU is evaluating the continuance of its assistance in light of the area's continuing AML/CFT risks.

The Turkish Cypriot "AML Law" provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness remains the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. Amendments to a "law" to regulate potential AML activity in casinos that would essentially decriminalize failure to implement KYC rules have been pending for over one year. The largely unregulated consumer finance institutions and currency exchange houses are also of concern.

Turkish Cypriots are currently drafting new AML "legislation" that will take into account UNSCRs 1267 and 1373 as well as address other sectors that face money laundering risks, such as casinos and exchange bureaus.

The Turkish Cypriot authorities should continue efforts to enhance the "FIU," and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

Dominican Republic

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

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorist financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. The increase in drug-related violence throughout the DR is partially attributable to arms trafficking as evidenced by the seizures of illicit weapons at ports of entry over the past year. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion and fraudulent financial activities, particularly transactions with forged credit cards.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, currency exchange houses, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and dealers in firearms and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,130: January 1 through December 1, 2012

Number of CTRs received and time frame: 1,286,870: January 1 through December 1, 2012
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 12 in 2012
Convictions: 1 in 2012

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

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=347&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

France

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

Casinos are regulated. France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. France has taken advantage of these regulations in several specific instances. The French Customs Service administers these zones.

France has a large informal sector, and informal value transfer systems such as hawalas may be used by immigrant populations used to such systems in their home countries, but there is little information on the scale of such activity.

Since 2011, France has considerably expanded its financial intelligence unit (FIU), TracFin. TracFin is looking into the ways in which new anonymous electronic payment instruments are offering an alternative to cash. The use of virtual money is growing in France through online gaming social networks.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22,856 in 2011
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit and money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries, insurance dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high value goods, auctioneers and auction houses, bailiffs, lawyers, participants to stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 297 in 2011
Convictions: 28 in 2011

RECORDS EXCHANGE MECHANISM:

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

France is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

TracFin has hired new officers, updated its investigative methods, modernized its information system, and made more data available to the public online. In April 2012, France's bank supervisor improved its bank questionnaires on prevention of money laundering and terrorism financing, provided guidelines to financial institutions for their dealings with occasional clients versus regular business clients, and updated its guidance on vigilance measures concerning fund transfers. These efforts should be continued to ensure effective implementation.

The GOF should examine the compliance with AML reporting requirements of company registration agents, real estate agents, jewelers, casinos and lawyers to ensure they are complying with their obligations under the law.

France does not have the capacity to share forfeited assets with other jurisdictions. The country should reform its laws to allow forfeited assets to be shared.

Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the eurozone, using a currency widely available in Europe, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist financing because of its large economy, advanced financial institutions and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics.

Organized criminal groups involved in drug trafficking and other illegal activities are sources of laundered funds in Germany. There is little current data on the volume of these proceeds. Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal sector, and informal value transfer systems such as hawalas may be used by immigrant populations accustomed to such systems in their home countries, but there is little idea of the scale of this activity.

Trends in money laundering include electronic payment systems; financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions; and trade in rare metals, electronics, and energy. Free zones of control type I, i.e., freeports, exist in Bremerhaven, Cuxhaven, and Hamburg. Deggendorf and Duisburg are control type II Free zones, i.e., unfenced inland ports.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Credit, financial services, payment and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 12,868 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Credit, financial services, payment and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,070 in 2011
Convictions: 903 in 2011

RECORDS EXCHANGE MECHANISM:

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

Germany is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In December 2012, German prosecutors opened investigations against 25 employees of the Deutsche Bank. Five of them were arrested on charges of serious tax evasion, money laundering and attempted obstruction of justice in connection with emissions certificate trading.

On December 29, 2011, a law on Optimizing the Prevention of Money Laundering entered into force, tightening existing regulations. The law provides for the expansion of due diligence and reporting obligations in the non-financial sector. It also increases punishments for money laundering violations. The law also incorporates new provisions for e-money, enacting stricter reporting requirements for all e-money transactions greater than €100 (approximately $129). Finally, the new law expands the number and type of obliged entities required to appoint a money laundering officer. On November 8, 2012, the German Parliament passed an amendment to Germany's Law Against Money Laundering to tighten control over the increasing number of casinos and slot machines

and to regulate online gaming, which previously had been prohibited in Germany. The new law bans gift cards, subjects online gaming companies to KYC rules, requires online gaming operators to have better risk management, and strengthens the power of regulators.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed STRs. Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately $129,000) under the Money Laundering Act. Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code. While Germany has no automatic CTR requirement, large currency transactions frequently trigger a STR. Germany should consider strengthening the above provisions and also tightening the regulations on domestic PEPs.

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

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

Greece

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

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

Greece has three free trade zones (FTZs), located at the Piraeus, Thessaloniki, and Heraklion port areas. Goods of foreign origin may be brought into the FTZs without

payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,586: January 1 - November 30, 2012

Number of CTRs received and time frame: 47: January 1 - November 30, 2012

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 279 in 2012
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Greece is a member of the Financial Action Task Force. Its most recent mutual evaluation report can be found here: http://www.fatf-gafi.org/documents/documents/mutualevaluationofgreece.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece (GOG) has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Although the FIU has technical and data management systems and capacities to support its functions, the GOG, due mainly to austerity measures, has not provided adequate financial resources to ensure the FIU will be able to fulfill its responsibilities and ensure its powers are in line with international standards. It also remains unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece should take steps to ensure a more effective confiscation regime. While the anti-money laundering/countering the financing of terrorism (AML/CFT) law contains provisions allowing civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to initiate civil procedures and currently do not do so, except in cases involving the death of a suspect. The GOG also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

The GOG requires transactions above €3,000 (approximately $3,965) be executed with credit cards, checks or cashiers' checks and all business-to-business transactions in excess of €3,000 (approximately $3,965) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check or wire transfer. Transfers in excess of €100,000 (approximately $132,150) are subject to examination. Nevertheless, the GOG should ensure its system for reporting large currency transactions is applied equally across all regulated sectors and explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The GOG should ensure domestic PEPs are also subject to enhanced due diligence, ensure that designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of synthetic-drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the money of the customers (usually Guatemalans with average deposits of $100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2012, there were seven "offshore" entities, with head offices in Panama, the Bahamas and Puerto Rico. These "offshore" banks are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) regulations as any local bank. Guatemala has 18 active free trade zones (FTZs) and nine more are scheduled to start operations soon. FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance and video lotteries operate, both onshore and offshore. Unregulated gaming activity represents a significant money laundering risk.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; credit unions, finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; notaries and accountants; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 417: January 1 - October 31, 2012

Number of CTRs received and time frame: 6,873,560: January 1 - October 31, 2012

STR covered entities: Banks; credit unions, finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; notaries and accountants; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 108: January 1 - November 15, 2012

Convictions: 20 people in 19 cases: January 1 - November 15, 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Guatemala is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_(Final)_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Staffing of the Financial Intelligence Unit (IVE) has increased over the last several years and the number of STRs filed has also increased since the unit's beginning. However, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of law enforcement officials and of Public Ministry (i.e., the Attorney General's office) staff may hamper these authorities from enforcing the law and prosecuting and successfully convicting more cases.

In December 2009, former President Alfonso Portillo was indicted on one count of conspiracy to commit money laundering in the United States. On August 26, 2011, Guatemala's Constitutional Court unanimously upheld the U.S. request to extradite former President Portillo on that charge. The Public Ministry is still awaiting the outcome of its appeal of Portillo's May 9, 2011 acquittal on embezzlement charges in Guatemala, and the extradition remains pending based on the outcome of that case. On August 29, 2012, the Constitutional Court rejected a request from Portillo's lawyers for an injunction against former President Alvaro Colom's administrative approval of the extradition.

Law enforcement agencies report that money laundering continued to increase during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement ($10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico. A law regarding asset forfeitures took effect in June 2011, and allows Guatemalan authorities to seize cash used in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law also prevents new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013, but it is not clear what the consequences will be for failure to do so.

In October 2010, Guatemalan monetary authorities approved a regulation to establish limits for cash deposits in foreign currency, notably requiring more information and bank certification for transactions totaling over $3,000 per month. According to law enforcement authorities, banks' purchases of foreign currency declined 34 percent during the first nine months of 2011, and an additional 16 percent during a similar period in 2012.

Guatemala's anti-money laundering law does not cover all designated non-financial businesses and professions included in the international standards. However, real estate agents and dealers of vehicles, art and antiquities, and precious metals and stones are covered under the CFT law. Notaries, auditors, and lawyers are also covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for lawyers.

The Government of Guatemala (GOG) should put into force a gaming law to regulate the industry and reduce money-laundering potential. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to Anti-Money Laundering Unit supervision. A

draft gaming law is now under consideration by key members of Congress. In October 2012, the Guatemalan Congress approved an anti-corruption law that increases penalties for existing crimes and adds new crimes such as illicit enrichment and trafficking in influence. If implemented well and enforced, the new law should help to reduce corruption as one of the main sources of money laundering in the country.

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

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands, Guernsey, Alderney, Sark, and Herm. As a Crown Dependency of the United Kingdom (UK), it relies on the UK for its defense and international relations. Alderney and Sark have their own separate parliaments and civil law systems. Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. The Bailiwick is a sophisticated financial center, and authorities undertake efforts to reduce vulnerability to money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds, safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and eGambling services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 537: January – October 2012

Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 4 in 2012
Convictions: 4 in 2012

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

The IMF's Report on Anti-Money Laundering and Combating the Financing of Terrorism for the Bailiwick of Guernsey can be found at: http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the U.S., using the full range of investigatory powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey has a comprehensive AML/CFT legal framework and most shortcomings appear to be technical in nature. While no shortcomings have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering cases resulting in convictions raise questions concerning the effective application of money laundering provisions.

Some concerns have been raised about relatively recent changes to the law on foundations which appear to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any Convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick on April 3, 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey on September 25, 2008. The UK has

not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guinea-Bissau

Guinea-Bissau continues to experience political disruptions due to the transit of narcotics and the flow of money related to the trade. The cohesion and effectiveness of the state itself is very poor; corruption is a major problem and the judiciary has demonstrated its lack of integrity on a number of occasions. The Bissau-Guinean police have seized a number of major drug shipments in past years, and there have been links between representatives of the state and drug trafficking networks. Some of the arrested traffickers and seized narcotics have later vanished from the state's prisons and coffers, with no explanation forthcoming from the Bissau-Guinean authorities. In April 2010, the United States Treasury froze the assets of two top Bissau-Guinean military officers and designated them as drug kingpins.

One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is a significant contributor to its economy. Traffickers from Latin America and collaborators from the region continue to take advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, and general insecurity to make the country a major transit point for cocaine destined to consumer markets, mainly in Europe. A multitude of small offshore islands, upon or near which plane drops are made, and officials able to sidestep weak and under-resourced enforcement efforts with impunity contribute to the problem. Transition President Nhamadjo has declared the problem a top priority for his administration.

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

On May 18, 2012, the United Nations Security Council (UNSC) adopted resolution 2048 imposing sanctions in relation to Guinea-Bissau in response to the seizure of power from the civilian government by military officers on April 12, 2012. On May 31, 2012, the European Union followed with a travel ban and freezes on the assets of the military junta running the government.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, NGOs, lawyers, accountants, and notaries

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Guinea-Bissau (GOGB) is not in full compliance with international conventions against money laundering and terrorist financing due to inadequate resources, weak border controls, under-resourced and understaffed police, and other compelling national priorities.

The Anti-Money Laundering Uniform Law, which is a requirement for members of the Economic Community of West African States (ECOWAS), is ineffectively enforced. There is still no operating financial intelligence unit (FIU), making much of the legislation ineffective. An FIU is expected soon, as is a new terrorist financing law.

Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file transaction reports for

fear of alerting the subject because of an allegedly indiscrete judiciary. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries hampers cooperation.

The GOGB needs to improve the coordination of efforts at the national, sub-regional, regional and international levels, reforming the country's institutions and conducting further research to gain an accurate understanding of the scale of the problem. Guinea-Bissau needs assistance to finance, staff, train and equip its justice and police departments.

The GOGB should continue to work with its partners in the GIABA and the ECOWAS, and others to establish and implement an effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. The government needs urgent help to restore sovereignty, administer justice and regain control of its borders. The GOGB should ensure the sectors covered by its AML law have implementing regulations and competent authorities to ensure compliance with the law's requirements. It should also amend its terrorist financing law to comport with international standards. The GOGB should establish, staff, and train its FIU and ensure resources are available to sustain its capacity. It should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau should also undertake efforts to eradicate systemic corruption.

Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not at this time appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency, and all property confiscations involve significant drug traffickers convicted in the United States.

Foreign currencies comprise approximately 57% of Haiti's bank deposits, according to Haitian Central Bank estimates, likely due to the large influx of remittances, which reached $1.5 billion in 2011.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 43: January 1 through October 31, 2012

Number of CTRs received and time frame: 264,099: January 1 through October 31, 2012

STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6: Time frame unknown

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Haiti is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=342&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past year, the Government of Haiti (GOH) passed a new banking law that includes provisions relating to anti-money laundering (AML) prevention. The new provisions

give the Central Bank the authority to issue regulations binding on banks and money service businesses relating to money laundering, and the power to impose penalties for non-compliance. The Central Bank issued guidelines to commercial banks, currency exchange agencies and money transfer companies on customer due diligence obligations. Significantly, there was a 49% decrease in the number of STRs from the previous reporting period. Anti-corruption and AML legislation are currently under consideration in Parliament and are identified as a priority by the executive branch.

The GOH should continue to devote resources to building an effective anti-money laundering/counter-terrorism financing regime, to include continued support to units to investigate financial crimes and the development of an information technology system. The GOH remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. New criminal and criminal procedural codes that address these problems are currently pending in the Council of Ministers. The GOH should pass the long pending anti-terrorism legislation that will criminalize terrorist financing and allow the immediate freezing of terrorist assets without delay. Haiti also should take steps to establish a program to identify the cross-border movement of currency and financial instruments.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of December 2012, Hong Kong's stock market was the world's sixth largest, with $2.83 trillion in market capitalization. Already the world's tenth-largest banking center in terms of external transactions and the sixth-largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating as of November 2012 over $91 billion in RMB-denominated deposits at authorized institutions. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls, present vulnerabilities for money laundering, including trade-based money laundering. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong (GOHK) officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities and insurance entities, money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 17,795: January 1 – September 30, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 131: January 1 - September 30, 2012

Convictions: 137: January 1 - September 30, 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance, or AMLO, went into effect in April 2012. It mandates preventive AML measures, including customer due diligence and record keeping requirements. AMLO also establishes a licensing and regulatory regime for remittance agents and money changers and provides statutory powers to financial regulators to supervise compliance. The GOHK is evaluating the feasibility of a cross-border currency reporting system, along with necessary legislative and resource requirements.

Hong Kong should institute mandatory oversight for designated non-financial businesses and professions, and implement mandatory cross-border currency reporting requirements, both potential loopholes for money launderers and terrorist financiers. The recent increase in the number of STRs submitted by financial institutions should be addressed through allocation of sufficient analytical and investigative resources. The GOHK also should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should also closely examine trade-based money laundering.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

India

India is developing as both a regional economic power and financial center. Its rapidly growing economy has both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, and onerous tax administration and currency controls contribute to its vulnerability to economic crimes, including fraud, cybercrime, identity theft, money laundering and terrorist financing. India's porous borders and location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for drug trafficking. Proceeds from Indian-based heroin traffickers is widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

High-level corruption both generates and conceals criminal proceeds. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. The most common money laundering methods include: opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering to disguise the criminal origin of funds. Companies use trade-based money laundering to evade capital controls. Tax avoidance and the proceeds of economic crimes are significant vulnerabilities but laundered funds are also derived from narcotics trafficking, trafficking in persons and illegal trade. Counterfeit Indian currency is also a significant problem. Criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of terrorist groups, both foreign and domestic. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawalas and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs sold by India-based extremist elements to production and/or trafficking groups in neighboring countries.

India licenses seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of November 2012, there were 158 SEZs in operation, and 588 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same anti-money laundering/counter-terrorism financing (AML/CFT) regulations as the domestic sector.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes including mutual funds; and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,317 in 2011

Number of CTRs received and time frame: 10,198,262 in 2011

STR covered entities: Banks, merchant banks and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes including mutual funds; and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

India is a member of the Financial Action Task Force (FATF), as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found here: www.fatf-gafi.org/dataoecd/60/56/45746143.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

India has worked to implement an effective AML/CFT regime. The Government of India (GOI) made significant changes to its legal framework to bring it into compliance with international standards. In November 2012, the Lok Sabha (lower house of Parliament) unanimously passed amendments to the Prevention of Money Laundering Act (PMLA). In December 2012, the Rajya Sabha (upper house) also passed the amendments. The amendments to the PMLA widen the definition of money laundering and bring domestic law in line with international standards.

Despite these important steps, deficiencies in India's AML/CFT regime remain. India should address noted shortcomings in both the criminalization of money laundering and terrorist financing and in the domestic framework of confiscation and provisional measures, and ensure all relevant sectors of designated non-financial businesses and professions are complying with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of December 2012, the GOI had not successfully won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while the GOI has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their GOI counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigational leads has prevented a more comprehensive offensive against violators and related groups.

The GOI is taking steps to increase financial inclusion through "small [banking] accounts," but should consider further facilitating the development and expansion of alternative money transfer services in the financial sector, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. The GOI should extend its safe harbor provision to also cover staff or employees of institutions.

Indonesia

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, such as Jemaah Islamiyah (JI), a loose network of JI spin-off groups, and Jemaah Anshorut Tauhid (JAT), which obtain financial support from both domestic and foreign sources, are present in the country.

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

Indonesia has a long history of smuggling of illicit goods and bulk cash, facilitated by thousands of miles of unpatrolled coastline, sporadic law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong yet embattled Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for anti-money laundering/counter-terrorist financing (AML/CFT) regime implementation.

In October 2012, the Financial Action Task Force (FATF) placed Indonesia on its Public Statement due to Indonesia's failure make sufficient progress in implementing its AML/CFT action plan. According to the FATF announcement, Indonesia should

adequately criminalize terrorist financing; establish and implement adequate procedures to identify and freeze terrorist assets; and amend and implement laws or other instruments to fully implement the International Convention for the Suppression of the Financing of Terrorism.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES D***omestic:*** YES

KYC covered entities: Banks, finance companies, insurance companies and brokers, pension fund financial institutions, securities companies, investment managers, providers of money remittance and foreign currency traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14,383: January 1 to July 31, 2012

Number of CTRs received and time frame: 1,350,643: January 1 to July 31, 2012

STR covered entities: Banks and financing companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services, money remitters and foreign currency changers (money traders); providers payment cards, e-money and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art and antiques; and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: January 1 to July 31, 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Indonesia's AML legislation provides for the freezing of terrorist assets linked to the UN list of designated terrorists and terrorist organizations, Indonesia continues to lack an effective mechanism to implement UNSCRs 1267 and 1373. Indonesia made little progress in freezing assets of JAT and three of its individual members after they were placed on the UNSCR 1267 list in March and May, 2012. Draft terrorism finance legislation that may address some of the noted deficiencies continues to move forward through the Indonesian legislative process, but progress has been slow and it is uncertain if and when the draft law will be enacted. Prosecution of terrorism finance cases also remains problematic, as prosecutors and police need additional training to be able to convincingly follow and explain the money trail in a court of law. Judges also need training on money laundering and financial crimes. Corruption, particularly within the police ranks, also impedes effective investigations and prosecutions.

Indonesia's financial intelligence unit (PPATK) works closely with the Central Bank to oversee and implement Indonesia's AML regime. The October 2010 AML legislation, however, has taxed the institution's capacity, and PPATK needs a significant increase in staff to meet its responsibilities under the AML law. In an effort to place some of the legal burden on industry and bank partners, PPATK and the Central Bank work closely with educational institutions throughout Indonesia to develop financial expertise and responsibility among banking and industry in Indonesia.

Iran

Although not considered a financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are likely a prevalent form of money laundering. Many hawaladars and traditional *bazaari* are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. There are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate. Iran's real estate market also is used to launder money. Iran is ranked 133 out of 174 countries listed in Transparency

International's 2012 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing. In October 2012, the FATF again urged jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a state sponsor of terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. Presently, Iranian banks have a diminishing international presence in these regions as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as the FATF statements on Iran's lack of adequate anti-money laundering/counter-terrorist financing (AML/CFT) controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks; and, in March 2012, some Iranian financial institutions were disconnected from the SWIFT international network to curtail their ability to send and receive international wires due to European Union (EU) sanction violations. The United States has designated at least 20 banks and subsidiaries under counter-proliferation and terrorism authorities.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: Not available ***Domestic:*** Not available
KYC covered entities: All legal entities, including but not limited to the Central Bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions as well as municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice and legal inspectors

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: All legal entities, including but not limited to the Central Bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions as well as municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice and legal inspectors

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

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

Iran is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks, located in Iran and overseas, designated in connection with Iran's proliferation activities (E.O. 13382); one state-owned Iranian bank (Bank Saderat and its foreign operations) designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the

Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

Additionally, Iran has been the subject of several United Nations Security Council resolutions (UNSCR) and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation sensitive nuclear activities. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 amending the Iran Sanctions Act of 1996, makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum or goods and services for Iran's refined petroleum sector.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. On August 10, 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012 was enacted, expanding sanctions on Iran's energy sector and against human rights violators. These build upon the sanctions from previous U.S. legislation and UNSCRs.

In February 2009, the FATF first urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. In October 2012, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

The EU also has adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted several measures, including sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade. In October 2012, the EU approved legislation placing further restrictions on financial transactions with Iran, and strengthening prohibitions on the export of dual-use items and technologies, and the import of Iranian gas.

Iraq

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 43 in 2011
Number of CTRs received and time frame: 1,320 in 2011
STR covered entities: Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its mutual evaluation can be found here:
http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the only anti-money laundering (AML) statute in Iraq, the AML Act of 2004 issued under Coalition Provisional Authority Order 93, is broad enough to reach even beyond serious crime, the criminalization under the 2004 law is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. New draft anti-money laundering/countering the financing of terrorism (AML/CFT) legislation is currently under review by Iraq's Shura Council, Council of Ministers and some members of the Iraqi Parliament.

Some advancement has been made regarding the Iraqi government's support of a viable AML/CFT regime, with the formation in late October 2012 of the Financial Crimes Task Force, a multi-agency body to coordinate investigations of suspected large-scale money laundering and terrorist financing. Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. In addition, the current lack of implementing legislation, weak compliance enforcement by the

Central Bank of Iraq (CBI), and the lack of support to the CBI's Anti-Money Laundering Unit (AMLU) all undermine Iraq's ability to counter terrorist financing and money laundering.

The CBI generally does not provide sufficient financial or political support to the AMLU. The AMLU has inadequate staffing and lacks sufficient training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the AMLU staff must process the data received manually as is common in other Iraqi government institutions. The AMLU is empowered to exchange information with other Iraqi and foreign government agencies. Historically the AMLU received little support from Iraqi law enforcement, but that changed in 2011 when the AMLU demonstrated its added value to many of the government's investigations. The Government of Iraq should ensure the AMLU has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are still quite limited, and enforcement is subject to political constraints. In practice, despite customer due diligence requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 45 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either conduct internal investigations or contact the AMLU, which executes an account review to resolve any questionable transactions. In practice, very few STRs are filed.

Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism. Iraq also should ensure adequate political and resource support for the Financial Crimes Task Force and the FIU to allow them to do their work effectively.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM originate from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Additionally, identity theft and internet abuse are growing segments of financial crime activity.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance companies and intermediaries; casinos and bookmakers; high value goods dealers and auctioneers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,334 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, accountants, building societies, company service providers, financial advisors, investment/fund managers, life assurance/insurance companies, money service businesses, online gaming entities, post office, stockbrokers, and trust companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2012

Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers also allow information to be obtained about that person's financial affairs, and can be used to assist

in criminal investigations abroad. The Terrorism (Finance) Act 2009 allows IOM authorities to compile their own list of suspects subject to sanctions as appropriate.

In 2003, the U.S. and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM on December 2, 1993; its ratification of the UN Convention against Corruption was extended to include the IOM on November 9, 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM on September 25, 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM on June 1, 2012.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, and European Union, often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. Israel's illicit drug trade is regionally focused, with Israel more of a transit country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods, liquor, cigarettes, cell phones, and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gambling rings, retail businesses suspected as money laundering enterprises, and public corruption—including the recent indictment of the former chairman of a major national bank on fraud and money laundering charges.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 34, 548 (33,874 related to money-laundering and 674 related to terrorism financing): January 1-October 16, 2012
Number of CTRs received and time frame: 839,550: January 1-October 16, 2012
STR covered entities: Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses and the Postal Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 55: January-September 2012
Convictions: 23: January-September 2012

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

Israel has observer status with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's (ITA) Anti-Drug and Money Laundering Unit and the Israeli National Police.

The ITA also is the responsible agency for bulk cash smuggling interdiction, and a March 2012 bulk cash smuggling interdiction operation seized more than $200,000 in undeclared currency. Israel also cooperates on extradition requests.

Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups (especially the Camorra, the 'Ndrangheta, and the Mafia) operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, South America, and Africa. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of various legal and contraband goods. Italy's total black market is estimated to generate as much as 15 percent of GDP ($330 billion). A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorist financing in Italy occurs in both the formal and the informal financial systems, as well as offshore.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock

brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 499: January 1 - October 31, 2012
Convictions: 9 in 2012

RECORDS EXCHANGE MECHANISM:

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

Italy is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Italy continues to combat the sources of money laundering and terrorist financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

In 2012, Italy made the following key legal, regulatory, and policy changes related to money laundering and terrorist financing: Italy's financial intelligence unit, the Financial Information Unit (FIU), drafted and distributed to KYC- and STR-covered entities guidance for detecting and reporting on unusual practices related to the use of anomalous payment cards for cash withdrawals, international tax evasion and fraud in invoicing and factoring.

In an effort to increase the quantity of STRs reported and the quality and timeliness of the data reported by STR-covered entities, in 2012 the FIU set up a new automated infrastructure for reporting and receiving STRs, issued guidance on the data and

information to be included in the reports, and began outreach to STR-covered entities to train them on the new reporting system. The FIU claims the new system has improved the quality of in-depth financial analysis and the timeliness of information flows. Italy should continue its efforts to improve the quality of its STRs.

Although several of the actions taken in 2011 and 2012 were intended to increase the number of STRs filed by non-financial businesses and professions, since these entities continue to file less than one percent of the STRs, Italy must continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers. Italy also should work to ensure domestic PEPs are subject to enhanced due diligence requirements. Italy requires large transactions be reported only in the aggregate.

As in previous years, in 2012 the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy crimes, and terrorist financing. The Direzione Centrale per i Servizi Antidroga, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police, also plays a central role in these efforts.

Japan

Japan is a regional financial center but not an offshore financial center. It has one free-trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 337,341 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 156 in 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws, Japan's compliance with international standards specific to financial institutions is notably deficient. In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act, to improve customer due diligence requirements, including

requiring financial institutions to identify the customer's name, address, and date of birth, and to verify the purpose of transaction, business activities, and beneficial owners. However, while the government is in the process of finalizing the subordinate decrees, these requirements do not come into effect until April 28, 2013.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is currently no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. While April 2011 amendments to the Criminal Proceeds Act call for financial institutions to verify a customer's assets and income in certain higher risk situations, the Act delineates those situations as being instances where the use of false identity is suspected, rather than those presented by such factors as business type, customer location, or type of transaction. The current regulations also do not authorize simplified due diligence, though there are exemptions to the identification obligation for customers or transactions believed to pose no or little risk for money laundering or terrorist financing. Japan should implement a risk-based approach to its AML/CFT regime.

The GOJ's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the GOJ's many legal tools and programs to combat these crimes. The National Police Agency (NPA) provides limited cooperation to other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The GOJ should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in the GOJ and foreign jurisdictions.

Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally responsible for its defense and international representation but has entrusted Jersey to regulate its own financial service sector and to negotiate and sign tax information exchange agreements directly with other jurisdictions.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar. Island authorities undertake efforts to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, fund and portfolio managers; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,847 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, fund and portfolio managers; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: NO

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Terrorist Asset Freezing (Jersey) Law 2011 came into force in April 2011 and replaced previous provisions on the freezing of terrorist assets. Under this law, a person designated by the UN or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes. The Jersey Financial Services Commission website contains a link to the United Kingdom Consolidated List of asset freeze targets, which covers all designations by the UN, the European Union and the UK. Registered persons in Jersey are also encouraged to sign up to an email alert system coordinated by Her Majesty's Treasury in the UK, which alerts people to changes in the asset freeze designations.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead it is able to provide mutual legal assistance to any jurisdiction, including the US, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation (Jersey) Law 2007.

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in November 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in September 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

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

Jersey requires an obliged entity to obtain all necessary customer due diligence (CDD) information from an introducer immediately at the beginning of a relationship. However, such information may not be required for an intermediary that is considered to present a lower risk. Jersey authorities should explicitly require that all obliged entities obtain all necessary CDD information from the intermediary or introducer at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or introducer's performance of CDD obligations.

Some concerns have been raised about relatively recent changes to the law on foundations which appear to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations.

Kenya

Kenya is the largest financial center in East Africa, and its banking and financial sectors are growing in sophistication. It remains vulnerable to money laundering and other financial fraud.

Money laundering/terrorist financing activity derives from both domestic and foreign criminal activity. Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in increasing its internal monitoring and collection procedures. There is a black market for smuggled goods in Kenya, which serves as a major transit country for Uganda, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries avoid Kenyan customs duties, but authorities acknowledge they are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade goods are often used to provide counter-valuation in regional *hawala* networks.

The laundering of funds derived from corruption, smuggling, illicit trade in counterfeits, drugs, wildlife trafficking and other financial crimes is a substantial problem. Its proximity to Somalia makes Kenya an attractive and likely destination for the laundering of piracy-related proceeds. As a regional financial and trade center for Eastern, Central, and the Horn of Africa, Kenya's economy has large formal and informal sectors. Although banks, wire services, and other formal channels execute funds transfers, there are also thriving, unregulated informal networks of hawala and other alternative remittance systems using cash-based, unreported transfers that the Government of Kenya (GOK) cannot track. Foreign nationals, in particular the large Somali refugee population, primarily use hawala to send and receive remittances internationally. Mobile money, using telecom networks for cash transfers, is increasingly important and makes tracking and investigating suspicious transactions more difficult. Kenya ranks 139 out of 174 countries on the 2012 Transparency International Corruption Perceptions Index.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 63: January - October 2012

Number of CTRs received and time frame: 0

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Kenya's most recent mutual evaluation report can be found here: www.esaamlg.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) provides a comprehensive framework to address AML issues and contains appropriate sanctions. The POCAMLA has never been used to prosecute any crimes. The POCAMLA allows for enhanced regulations to evaluate politically exposed persons (PEPs). With Kenya's new constitution, there are now increased vetting procedures in place for PEPs, who are now subject, for the first time, to financial disclosure requirements. Key implementing structures called for in the POCAMLA, like the financial intelligence unit (FIU) and the Assets Recovery Unit, are established and are in the process of becoming fully operational.

The GOK established its FIU, the Financial Reporting Center (FRC), in April 2012 and named an interim director. The FRC has obtained its own office space and is completing its staffing requirements, but still needs an automated system to analyze suspicious transaction reports (STRs). The FRC issued guidance notes to commercial banks, non-bank financial institutions, and mortgage finance companies regarding their responsibilities and began receiving STRs in October 2012. While currency transaction reports for currency transactions in excess of $10,000 are required, entities are not actively filing.

The Central Bank of Kenya (CBK) has closed down several foreign exchange bureaus for failing to comply with new, more stringent AML standards. The CBK does not distribute UN lists to financial institutions. Instead, it refers all banks to the public lists posted on the internet. Four times per year, each bank is required to confirm to the CBK that it has ensured none of its clients are on any of the lists. Although the FRC receives STRs from some alternative remittance system (ARS) entities, the GOK cannot consistently track transactions by ARS entities. The lack of regulation/supervision of this sector, coupled with a lack of reporting from the obliged entities, contribute to the vulnerability posed by this sector. Tracking, reporting, and investigating suspicious transactions related to the ARS are more difficult for the Kenyan authorities than those using the formal financial sector.

Kenyan law enforcement authorities lack the institutional capacity, investigative skill, and resources to conduct complex financial investigations, and a number of bureaucratic impediments present challenges. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. The confidentiality of this process is difficult to maintain, and because of leaks, account holders are tipped off about the investigations and then move their accounts or contest the warrants. The Office of the Public Prosecutor is organizing a special unit to address financial crimes and is collaborating with the Ethics and Anti-Corruption Commission to investigate illicit financial flows. Kenya's criminal justice system is being completely overhauled, including the establishment of a new Supreme Court. The GOK, especially the police, must allocate appropriate resources and enhance its institutional capacity and investigative skill to conduct complex investigations

independently. It must also address the bureaucratic impediments that are preventing it from addressing these crimes.

In September 2012, Kenya passed the Prevention of Terrorism Act (PTA), which criminalizes material support provided to commit a terrorist act; however, the implementing regulations have not been published in the Kenyan Gazette.

POCAMLA provides for legal mechanisms to freeze or seize criminal accounts; however, the law has not yet been used to do this. Kenya does have a mechanism to seize accounts used for terrorist financing, but the PTA does not explicitly provide for freezing terrorist assets. This provision may be added to the Act's regulations, yet to be published. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act. The Mutual Legal Assistance Act of 2011 provides for greater law enforcement cooperation in obtaining and sharing evidence or information with foreign states or international entities, without the need for an MLAT.

Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by 19.7 percent and comprising 49.5 percent of total bank deposits (as of November 2012). The scope of the "shadow" (untaxed) economy (estimated at around 30 percent of the overall economy), geographic location, and public corruption make it challenging to combat money laundering.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud, perpetrated by Russian and Latvian groups; as well as other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing. Public corruption remains a problem in Latvia.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the financial system.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and sworn auditors; sworn notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; European Union-owned entities; and any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately $20,000)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 16,379: January 1 - October 31, 2012

Number of CTRs received and time frame: 12,925: January 1 - October 31, 2012

STR covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and sworn auditors; sworn notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately $20,000); and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35: January 1 - October 31, 2012

Convictions: 10: January 1 - October 31, 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Latvia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2012, Latvia adopted amendments to the regulations on enhanced customer due diligence (CDD) to include a requirement for payment service providers and e-money institutions to apply enhanced CDD measures. The Latvian Financial and Capital Market Commission (FCMC) has prepared amendments to the law to eliminate exemptions from CDD. Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures but domestic PEPs are not. The Latvian government should adopt the proposed legislation to change this.

In 2011, the State Revenue Service uncovered the largest fraud case in the history of the Riga Free Port; the criminal investigation into tax evasion and smuggling is ongoing. In September 2012, the Corruption Prevention and Combating Bureau asked the Prosecutor General to initiate criminal prosecutions against four former officials and 13 other individuals from the state-owned electrical company Latvenergo. The charges allege the misuse of official positions for the purposes of acquiring property, bribery, and the laundering of criminally acquired assets from 2006 to 2010. In October 2012, the Prosecutor's Office reversed the decision of the state police not to investigate whether Latvian banks helped launder at least $63 million from Russia in connection with the alleged Hermitage Capital tax fraud case. The chief prosecutor responsible for organized crime told journalists that having studied the evidence from Latvian banks, he has determined the state police's decision not to start a criminal investigation was contrary to law and unjustified. He has returned the evidence to the police for re-investigation.

Latvian law enforcement officials and regulators are making progress. FCMC reports that Latvian banks continue to substantially invest in their IT systems to develop further programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for anti-money laundering purposes.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region.

Lebanon faces significant money laundering and terrorist financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at approximately $7.6 billion annually in the last three years. Reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities. In 2011, Lebanese Canadian Bank (LCB) was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

Laundered proceeds come primarily from foreign criminal activity and organized crime, and Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon (GOL) does not recognize this designation. Domestically, there is a black market for cigarettes; cars; counterfeit consumer goods; and pirated software, CDs and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

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

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 136: January through October 2012
Number of CTRs received and time frame: 20: January through October 2012
STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6: January through October 2012
Convictions: None

RECORDS EXCHANGE MECHANISM:

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

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Three laws intended to strengthen Lebanon's anti-money laundering/counter-terrorist financing (AML/CFT) regime were passed by the Council of Ministers on March 14, 2012, and, as of early December 2012, are awaiting Parliament's approval. These include: amendments to the existing money laundering Law 318/2001 which would, among other provisions, add new offenses to the existing law, impose financial penalties on obliged entities for reporting violations, and require lawyers and accountants to report suspicious transactions; new legislation imposing requirements for declaring the cross-border transportation of cash; and new legislation on the exchange of tax information, which would authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

On April 5, 2012, the Banque du Liban issued Basic Circular No. 126 governing the relationship between banks and financial institutions and their correspondents abroad. This Circular requires banks and financial institutions operating in Lebanon to abide by the same laws, procedures, sanctions, and restrictions adopted by international legal

organizations or by the sovereign authorities in their correspondent banks' home countries.

The Special Investigation Commission (SIC), Lebanon's financial intelligence unit, sent 29 allegations to the Office of the Prosecutor General for prosecution between January 2012 and October 2012. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has steadily increased over the years, prosecutions and convictions are still lacking. In addition, there should be more emphasis on proactive targeting and not simply a reliance on STRs filed by financial institutions to initiate investigations. This deficiency could be attributable to a lack of political will to effectively prosecute cases or a lack of resources and familiarity with AML/CFT standards. Customs is required to inform the SIC of suspected TBML or terrorist financing; however, high levels of corruption within Customs are problematic. Existing safeguards also do not address the laundering of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies. The GOL should take action to immobilize those shares.

From January 2012 to October 2012, Lebanon's Internal Security Forces (ISF) received 16 allegations of money laundering and 26 allegations of terrorist financing, mostly from Interpol, and the ISF is in the process of investigating each of these cases. The ISF Money Laundering Department staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software programs to effectively track cases. Additionally, law enforcement entities often do not coordinate activities. The GOL should encourage more efficient cooperation, including the development of task forces, among financial investigators and other relevant agencies such as Customs, the ISF, the SIC, and the judiciary.

Lebanon should increase overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. The GOL should enforce cross-border currency reporting. Law enforcement authorities should examine domestic ties to the international network of Lebanese brokers and traders. The GOL also should consider amending its legislation to allow a greater ability to provide forfeiture cooperation internationally and also provide authority for the return of fraudulent proceeds. Finally, the GOL should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Liechtenstein

The Principality of Liechtenstein has a well developed offshore financial services sector, liberal incorporation and corporate governance rules, relatively low tax rates, and a tradition of strict bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 107 asset management companies, 40 insurance companies, 71 insurance intermediaries, 33 pension schemes, 6 pension funds, 392 trust companies, 21 fund management companies

with approximately 469 investment funds, and 637 other financial intermediaries. The three largest banks control 85 percent of the market.

In recent years Liechtenstein has made continued progress in its efforts against money laundering as banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein (GOL) has renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 295 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2011

Convictions: 0 in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Liechtenstein is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Because there are no laws for declaration of currency and monetary instruments, Liechtenstein's authorities cannot effectively monitor cross-border movement of currency or conduct bulk cash investigations.

The 2011 reporting year saw a decrease of suspicious activity reports (SAR) by 12 percent compared to 2010. Fifty percent of the SARs were based on fraud concerns, 6 percent on money laundering (a decline from last year), and 44 percent on other enumerated offense categories. In 2011, 66 percent of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor. The present SAR reporting requirements do not clearly indicate whether attempted transactions related to funds connected to terrorist financing or terrorism are covered.

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

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

Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10,856 STRs: January 1 to December 15, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 156: January 1 - December 15, 2012
Convictions: 122: January 1 - December 15, 2012

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

Luxembourg is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/j-m/luxembourg/documents/mutualevaluationofluxembourg.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2012, the Government of Luxembourg (GOL) continued the implementation of the comprehensive package of legislative and administrative actions that were put in place in 2010. The Law of 26 December 2012 extends the terrorist financing offense and introduces additional terrorism offenses, such as the provocation to commit a terrorist offense, recruitment, and terrorist training. The new offenses were added as predicate crimes for money laundering. Also in 2012, the authority to investigate and prosecute money laundering cases was extended to both District Courts.

Grand Ducal Decree of 21 December 2012, published on December 28, 2012, provides a new form to be used for the declaration of incoming and outgoing transportation of currency and bearer negotiable instruments. This form replaces the former declaration forms for European and national cash declarations. Its purpose is to facilitate the declaration of information regarding physical transportation of currency and bearer negotiable instruments entering, transiting or leaving Luxembourg.

The Supervisory Authority of the Financial Sector adopted a new regulation in December 2012 which aims to strengthen preventive anti-money laundering/counter-terrorist financing (AML/CFT) measures. It addresses a risk-based approach, customer due diligence, internal control provisions, and the monitoring of auditors. The financial intelligence unit has hired additional analysts and continues to modernize its AML/CFT IT system. In terms of quantitative data, the number of transaction reports, money laundering criminal cases and convictions has continued to rise in comparison to 2011 following the systematic implementation of the new legislation. The GOL should continue to increase the quantity and quality of its reporting. The GOL also should ensure financial sector supervisory authorities conduct more on-site AML/CFT inspections and address concerns about beneficial ownership of legal persons on various accounts.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore finance

businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With annual gaming revenues of $38 billion in 2012, Macau is the world's largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from nearby mainland China. Increasingly popular among gamblers seeking inscrutability and alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts in China, where gambling is illegal. This inherent conflict of interest together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau Government officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are gaming-related crimes, property offenses, and fraud.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,591: January 1 – October 31, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - June 30, 2012
Convictions: 1: January 1 - June 30, 2012

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau continues making considerable efforts to develop an anti-money laundering/counter-terrorist financing (AML/CFT) framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and for close collaboration with other FIUs.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately $62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau (DICJ). Macau should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence over non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for the ratification of any convention to be extended to Macau. The 1988 Drug Convention was extended to Macau in 1999, the UN Convention against Transnational Organized Crime was extended to Macau in 2003, and both the UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism were extended to Macau in 2006.

Mexico

Mexico is a major drug-producing and drug-transit country. Proceeds from the illicit drug trade leaving the United States are the principal sources of funds laundered through the Mexican financial system. Other significant sources of laundered illegal proceeds include corruption, kidnapping, extortion, piracy, alien smuggling, and trafficking in

firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to other Central American countries and the high volume of legal commerce to conceal transfers coming into Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds, though the use of trade-based money laundering is an increasing trend. Although the combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem, the implementation of U.S. dollar deposit restrictions reduced the amount of bulk cash repatriation back to the U.S. via the formal financial sector by approximately 70%, or $10 billion. According to U.S. authorities, drug trafficking organizations send between $19 and $29 billion annually to Mexico from the United States, though the Government of Mexico disputes this figure. Mexico has seized over $500 million in bulk currency shipments since 2002.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 44,591: January through October 2012

Number of CTRs received and time frame: 5 million: January through October 2012

STR covered entities: Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros

cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 155: November 2011 to November 2012
Convictions: 160: November 2011 to November 2012

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

Mexico is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:
http://www.fatf-gafi.org/countries/j-m/mexico/documents/mutualevaluationofmexico.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 11, 2012, Mexico's Senate approved the modifications to the anti-money laundering law introduced by the executive in August 2010, and approved by the lower house in April 2012. The President signed the bill into law on October 16, 2012. The legislation obliges designated non-financial businesses and professions (DNFBP) to identify their clients and report suspicious operations or transactions above designated thresholds to the Secretariat of Finance. The thresholds vary by sector. The legislation establishes a Specialized Financial Analysis Unit in the Office of the Attorney General; restricts cash operations in Mexican pesos, foreign currencies and precious metals for a variety of "vulnerable" activities; and imposes criminal sanctions and administrative fines on violators of the new legislation. The government must publish the implementing regulations 30 days after the law enters into force (on/about July 17, 2013) and the affected entities and persons must begin reporting under the new regime no later than 60 days from that date.

Under the above regulations, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations, armored car transport companies, armoring services, construction companies, art dealers and appraisers, and non-bank institutions providing credit card, pre-paid card, or traveler check services will also be subject to KYC and STR requirements.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic

money laundering. There are a few indications of syndicate-type structures in organized crime or money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although there are few controls on national borders within the Schengen Area of the European Union (EU), Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the country The Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands is responsible for the courts and for combating crime and drugs trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius and Saba are officially considered "public bodies" under Dutch law.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 23,224 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, other traders, accountants, lawyers and independent legal consultants, business economic

consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,300 in 2010
Convictions: 812 in 2010

RECORDS EXCHANGE MECHANISM:

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

The Netherlands is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of The Netherlands (GON) is largely in compliance with international standards but some implementation shortcomings exist. To address concerns about the operational independence and effectiveness of the Dutch financial intelligence unit (FIU), the Ministry of Security and Justice has plans to reorganize the National Police to create more flexibility and enhance its effectiveness in responding to money laundering cases. The government should ensure implementation of these actions in 2013.

The Dutch legal system does not include an autonomous offense of terrorism financing; the current legal framework is being changed to provide for it. The Netherlands has proposed legislation for a number of measures. The GON should enact the following proposed amendments, including: a flexible maximum fine based on business profits and gains; criminalization of abuse of public funds and corruption by public servants and the private sector; an increase in punishment to combat the commission of crimes within the context of the Economic Offenses Act; and a faster procedure to determine the right to seize documents in cases where lawyers and civil law notaries, among others, invoke their right not to submit evidence.

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe that a transaction is connected with money laundering or terrorist financing. The FIU investigates UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a STR. There were 167,237 UTRs in 2012.

The GON should enact the draft legislation to strengthen its reporting regime and enact stronger KYC rules. The draft legislation includes specific requirements for customer due diligence (CDD) related to legal arrangements; an exchange of information among supervisory authorities; good faith as a condition for protection from criminal liability; a

requirement to immediately obtain information in case of reliance on third parties for CDD; and politically exposed person (PEP)-related requirements that include non-Dutch PEPs resident in the Netherlands. The GON also should consider the draft law to modernize the supervision of lawyers, which has been sent to parliament.

The Netherlands cooperates fully with international investigations. The assignment of dedicated money laundering prosecutors is bringing change to historically low asset seizure rates. To further increase the confiscation of criminal assets, the Dutch Minister of Security and Justice introduced a new law including confiscation as a standard procedure of any money-driven criminal case, aimed at increasing law enforcement agencies' capacity to take such action. The government should move to pass this law.

Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, lack of enforcement, and poor socioeconomic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. One of the schemes used by drug traffickers to repatriate and launder their proceeds involves the importation of various commodities, predominantly luxury cars and other items such as textiles, computers, and mobile telephone units. Drug traffickers reportedly also use Nigerian financial institutions for currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking, illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; importing goods such as used cars and consumer electronics; and, cash smuggling. Nigerian criminal enterprises adeptly subvert international and domestic law enforcement efforts and evade detection. Nigeria is ranked 139 of 176 on Transparency International's 2012 Corruption Perception Index.

Nigeria's anti-money laundering/counter-terrorist financing (AML/CFT) progress in 2012 relative to its action plan was not considered sufficient by the Financial Action Task Force (FATF), which highlighted Nigeria's lack of adequate progress by including Nigeria in its October 2012 Public Statement.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,153: January 1, 2012 – November 30, 2012

Number of CTRs received and time frame: 3,386,117: January 1, 2012 – November 30, 2012

STR covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14: October 1, 2011 – September 30, 2012

Convictions: 5: October 1, 2011 – September 30, 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.giaba.org/index.php?type=c&id=49&mod=2&men=2

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nigerian authorities are working toward full implementation of a regime capable of thwarting money laundering and terrorist financing. The 2011 Terrorism (Prevention) Act (TPA) represents progress toward criminalizing terrorist financing, but it is not consistent with international standards. For example, terrorist financing is not listed as a predicate offense for money laundering. The Government of Nigeria (GON) should amend the law to bring it into compliance. In 2012, Nigeria developed amendments to both the TPA and Money Laundering (Prohibition) Act (MLPA). The amendments include all the required predicate offenses, including terrorist financing; the draft amendments to both laws are being negotiated in the National Assembly reconciliation committee, to work out differences between the House and Senate versions.

Lack of investigative capacity as well as judicial corruption have hindered the progress of and thwarted many prosecutions and investigations. The GON should ensure the autonomy and independence from political pressures of the Economic and Financial Crimes Commission (EFCC) and the Nigerian Financial Intelligence Unit (NFIU). The GON also should strengthen its supervision of designated non-financial businesses and professions. Moreover, the GON should work to eradicate any corruption existing within law enforcement bodies and ensure the range of agencies that pursue money laundering cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, and National Police Force have the capacity to function as investigative partners in financial crimes cases. The National Assembly should amend the MLPA to provide for increased autonomy of the NFIU and adopt safe harbor provisions to protect STR reporting entities and their employees. The GON should consider developing a cadre of specially trained judges with dedicated portfolios in order to handle financial crime cases effectively, and the National Assembly also should adopt a non-conviction based asset forfeiture bill.

Pakistan

Pakistan is strategically located between south, central and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, and terrorism. The

black market economy generates substantial demand for money laundering and illicit financing.

Common methods for transferring illicit funds include fraudulent trade invoicing, phony currency exchange, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. In 2012, the Pakistani diaspora legitimately remitted $13.2 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operatorss are prevalent throughout Pakistan. These entities also are commonly used to transfer and launder illicit money.

In October 2012, the Financial Action Task Force (FATF) included Pakistan on its Public Statement because of continuing deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, Developmental Financial Institutions (DFIs), exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers and insurance surveyors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 560 in 2011

Number of CTRs received and time frame: 204,417 in 2011

STR covered entities: Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers and insurance surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Though Pakistan has taken some progressive steps towards remedying its AML/CFT regime, the FATF has noted Pakistan's failure to adequately implement the totality of its action plan, or to address certain deficiencies in its terrorism finance laws. Pakistan should adopt legislation to address these deficiencies. Pakistani authorities also need to investigate and prosecute money laundering and terrorism financing and not focus on the predicate offense creating the proceeds of crime. Awareness raising on AML/CFT issues is critical to the judicial sector.

Weak legislation and lack of implementation also have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawaladars to operate without a license. However, few hawaladars have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address these deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime.

Panama

Panama's strategic geographic location, dollarized economy, and status as a regional financial, trade and logistics center make it an attractive target for money launderers. The Colon Free Zone (CFZ), the second largest free trade zone in the world, is located on Panama's Atlantic coast. Money laundered in Panama is believed to be primarily from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Numerous factors hinder the fight against money laundering, including a weak regulatory framework, the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism.

The Government of Panama (GOP) has issued 14 permits to operate free trade zones (FTZs) in Panama. Currently, there are only nine active FTZs, all concentrated in Panama City and Colon.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; free trade zone companies; finance companies; real estate brokers; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 652 in 2011

Number of CTRs received and time frame: 517,267: January 1 - September 30, 2012

STR covered entities: Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate companies, pawnshops, the CFZ, Panama Pacifico Special Economic Zone, Baru Free Trade Zone and other free trade zones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 25: January 1 – October 1, 2012
Convictions: 26 in 2011

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Panama cooperates well with U.S. law enforcement agencies. However, the GOP's success in interdicting illegal drug flows is not matched by success in addressing money laundering concerns. There is limited cooperation and communication among the various government agencies tasked with addressing money laundering. Agencies are under-resourced, often lacking the personnel and training to investigate and prosecute complex money laundering schemes.

Panama's financial intelligence unit, the UAF, is responsible for analyzing suspicious financial transactions; however, it is ineffective due to a lack of resources and political independence. The UAF does not have the capability to receive STRs in an electronic format, hindering analysis and timely investigations. The UAF reports to the Ministry of the Presidency and, according to a broad range of sources, inquiries initiated by the UAF mainly concern political figures, leading to questions about its independence.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to an accusatory penal system, which began in September 2010, is expected to be fully implemented by 2015, but has not yet had a noticeable effect on money laundering prosecutions.

Panama's Customs Authority is taking steps to reduce the use of Tocumen Airport as an artery for cash couriers to move cash into Panama. More targeted enforcement action, in collaboration with U.S. law enforcement agencies, has led to increased scrutiny of passengers and notable seizures of undeclared cash at the airport. Panamanian Customs has also been effective in identifying potential trade-based money laundering (TBML) with information from the Trade Transparency Unit (TTU), a multi-national trade data-sharing entity. The trade information is analyzed to identify anomalies indicative of TBML, trade fraud and other financial crimes. Despite these advances, Customs lacks sufficient resources to fulfill its mandate. Although Customs generates significant revenue for the government, its limited budget constrains its ability to hire skilled personnel and purchase necessary equipment.

As of November 2012, Panama has 14 double taxation treaties and eight tax information exchange agreements, including one with the United States signed in 2010.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs, trade and financial transactions oversight. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ. If the CFZ's electronic transaction recording information system is fully integrated with the TTU, better identification of potential TBML activity will be possible.

The continued existence of bearer share corporations remains a vulnerability of the anti-money laundering (AML) regulatory framework. Additionally, only banks have enhanced due diligence procedures for foreign and domestic PEPs. Executive Decree 55 of February 1, 2012 expands the list of supervision entities, which now includes the Superintendent of Banks; the Panamanian Institute of Autonomous Cooperatives; the Superintendent of Securities Markets; the Colon Free Zone Management; the National Lottery; the Panama Pacifico Agency; the Free Zone of Baru Management; and five offices under the Ministry of Industry and Commerce: the Gaming Control Board, Directorate General of Financial Companies, Real Estate Board, National Directorate of Investments, and Superintendent of Insurance and Reinsurance. Cabinet Decree, Number 43 of November 13, 2012, sets the framework for Panama to become a participant in the Kimberley Process and allows the import and export of rough diamonds. This has raised concerns that rough diamonds could become a new channel for TBML. A new AML law, which has been in process since 2011, would strengthen the UAF's authority and further increase the number of sectors required to report suspicious transactions. The government has not announced a time frame for enactment.

The GOP must improve its AML legal framework, strengthen the prosecutor's office and the judicial system, and create a more transparent financial network so that money laundering will become more difficult within Panama's borders.

Paraguay

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

syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities have been supplied to terrorist organizations, and trade-based money laundering occurs in the region.

As a land-locked nation, Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering likely occurs in the formal financial sector and definitely occurs in the non-bank financial sector, particularly in exchange houses, which are often used to move illicit proceeds both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations including banking centers in the United States.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; nongovernmental organizations; pawn shops, and dealers in precious stones, metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,487 in 2012
Number of CTRs received and time frame: 2,073,289 in 2012
STR covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; nongovernmental organizations; pawn shops, and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 8 in 2012
Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

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

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation, conducted by the International Monetary Fund (IMF), can be found here: http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For reporting entities that do not have a natural supervisory authority, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) is the competent supervisor. Both SEPRELAD's budget and staff increased in 2012. In January, SEPRELAD began using software to collect suspicious transaction reports (STR) directly from obligated institutions. The software better establishes the requirements for a STR for obligated institutions and provides a streamlined workflow for collecting supporting documentation. STRs increased 180 percent compared to the average of the previous two years, with a marked increase in reports from exchange houses (98 in 2011; 891 in 2012) and from banks (293 in 2011; 518 in 2012). In 2012, SEPRELAD continued extensive money laundering investigations of four banks and one exchange house in Ciudad del Este that began in late 2011.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The non-governmental organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited. A 2012 law requires that politically exposed persons (PEPs) of foreign nationality be subject to enhanced due diligence procedures, as is required of domestic PEPs. SEPRELAD is still developing procedures to implement this expanded requirement.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. The lack of interagency cooperation throughout Paraguay, and particularly within law enforcement, is an impediment to effective enforcement, prosecution, and reporting efforts. Money laundering criminal prosecutions/convictions data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

In 2012, the GOP enacted a law and implementing regulations that require obligated institutions to freeze preemptively any financial assets they suspect of being linked to terrorism, including terrorism financing and acts of terrorism. This law complements the 2011 terrorist asset freezing law. Paraguay needs to enact effective asset forfeiture legislation. Apart from the terrorist asset freezing laws, Paraguayan law does not provide for freezing or seizure of many criminally-derived assets. Law enforcement can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers and do not include bank accounts. When a seizure does occur, law enforcement authorities cannot dispose of these assets until a defendant is convicted, which frequently takes years.

People entering or leaving the country are required to declare to Customs values exceeding $10,000 or its equivalent in other currencies. However, Customs operations at the airports or overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked.

Although Paraguay has made overall progress in improving its anti-money laundering/counter-terrorism financing (AML/CFT) regime, and Paraguay's efforts and political commitment are reflected in the issuance of new legislation, the authorities' broader coordination capacity and the strengthening of the institutional frameworks should be enhanced. The GOP should demonstrate the effectiveness of the legislation in force and of mechanisms it has put in place.

Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is increasingly becoming an important player in Asia. Corruption is a source of laundered funds, and smuggling, particularly bulk cash smuggling, is a major problem. The Philippines continues to experience foreign organized criminal activity from players in China, Hong Kong, and Taiwan. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, and criminal activities are partially funded through kidnapping for ransom as well as narcotics and arms trafficking. In terms of narcotics trafficking, methamphetamine use is particularly high in the Philippines. While there are significant domestic clandestine

methamphetamine laboratories, the drug also enters the country through bulk importation/smuggling via maritime vessels as well as air passenger couriers.

Casinos currently are not covered institutions under the Anti-Money Laundering Act (AMLA), although the laws surrounding online gaming are less clear. In 2011, gaming generated $1.3 billion and the revenue streams will expand further with a large, new casino slated to open soon in Manila. The Philippine Amusement and Gaming Corporation, a fully owned government entity, regulates the gaming industry.

Remittances sent to the Philippines by its large expatriate community also provide a channel for money laundering. However, banks and money remitters are now able to capture the bulk of remittances, approximately 80 - 90 percent, sent by overseas foreign workers to the Philippines.

The Philippines, dubbed the "world's texting capital," is a leader in the use of cell phone technology for funds transfers. Although less prevalent, the Government of the Philippines (GOP) has also started using this technology for government-to-persons (G2P) payments, such as through its Conditional Cash Transfer Program. The technology/systems used by telecom firms for facilitating financial transfers are subject to study and approval by the Philippine Central Bank.

The Philippine Economic Zone Authority (PEZA) regulates the 273 economic zones that are established throughout the country, and a handful of other zones are regulated locally or by the Bases Conversion Development Authority. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in locally regulated zones. In addition, the Central Bank exercises regulatory supervision over four offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks (universal, commercial, thrift, rural, and Islamic) and quasi banks; pawn shops and dealers in precious metals and stones; life insurance and pre-need companies, agents and brokers; mutual benefit associations; professional reinsurers and reinsurance brokers; holding companies; trusts for charitable uses; securities dealers and brokers/sales representatives, investment houses, mutual funds, trusts, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, and remittance/transfer agents; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 17,711 in 2012
Number of CTRs received and time frame: 49,061,986 in 2012
STR covered entities: Banks (universal, commercial, thrift, rural, and Islamic) and quasi banks; pawn shops and dealers in precious metals and stones; life insurance and pre-need companies, agents and brokers; mutual benefit associations; professional reinsurers and reinsurance brokers; holding companies; trusts for charitable uses; securities dealers and brokers/sales representatives, investment houses, mutual funds, trusts, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, and remittance/transfer agents; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 in 2012
Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

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

The Philippines is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:
http://www.apgml.org/documents/docs/17/The%20Philippines%20DAR%20-%20Final%20%20210809.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2012, the Philippines enacted legislation to address some noted major deficiencies. The changes authorize the Anti-Money Laundering Council (AMLC) to apply to the courts for ex parte inquiry into deposits and investments in relation to all unlawful activities enumerated under the AMLA. The changes also make terrorism financing a stand-alone crime and empower the AMLC to freeze funds and properties of designated terrorists and terrorist organizations, without delay, for cases involving terrorist financing.

Revised Implementing Rules and Regulations issued in August 2012 now define a politically exposed person (PEP) and require covered institutions to take reasonable measures to determine whether a customer or beneficial owner is a PEP. The rules call for enhanced due diligence only for domestic PEPs assessed as high risk for money laundering and terrorist financing, including obtaining senior management approval for establishing or continuing business relationships and establishing their source of wealth/source of funds. Foreign PEPs are automatically subject to enhanced due diligence.

Legislation pending in the Philippine Senate seeks to address other deficiencies by expanding the definition of a money laundering offense according to standards specified by international conventions to which the Philippines is a party, and expanding the lists of covered institutions and predicate crimes. The country should pass this legislation. In addition, the country should seek to include casinos in the proposed list of covered institutions.

While the GOP has made notable progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement.

Russia

The Russian financial sector is considered large, but not in relation to the size of the large corporations that dominate the economy. The current Russian administration aspires to transform Moscow into an international financial center. While there has been significant progress in improving the legal and enforcement framework, the prevalence of money laundering in Russia, high levels of organized crime, and corruption stand as major obstacles to this goal. A lack of transparency in the financial sector generally helps to enable corruption.

Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. The country is considered a significant transit and destination country for international narcotics traffickers who also use the country to launder the proceeds of their crimes. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, both domestic and foreign real estate, and luxury consumer goods.

Russia's money laundering risk factors include an economic environment conducive to fraud; many large-scale financial transactions associated with its vast natural resources; the state's major role in the economy; and chronic under-funding and lack of capacity of regulatory and law enforcement agencies. These factors help create an enabling environment for corruption and financial criminality. The country's vast territory means that relations with both its regions and quasi-autonomous regions, especially in the

Caucasus region, have relatively low oversight. Considerable vulnerabilities exist in relation to money laundering and the funding of terrorism in these areas.

Gaming is only allowed in particular regions, with regulation shared across multiple agencies, including the Ministries of Finance and Internal Affairs. Russian gaming regulations are strict, although it is difficult to make broad conclusions about the effectiveness of enforcement beyond a few high profile cases. Online gaming is not allowed. Cybercrime is also a problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, there is likely to be a considerable amount of transfers through informal value transfer systems that may pose a vulnerability.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and persons providing legal or accounting services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,316,872: January 1 – March 31, 2012

Number of CTRs received and time frame: 826,444: January 1 - March 31, 2012

STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and persons providing legal or accounting services; microfinance organizations; consumer credit

cooperatives; and non-commercial organizations receiving funds from certain foreign entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 81: January 1 – March 31, 2012
Convictions: 173 in 2011

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

Russia is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/countries/n-r/russianfederation/

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Russia (GOR) has an effective legal and enforcement framework to deal with money laundering and terrorist financing. While amendments to the law are being proposed they have not yet been taken up for consideration by the Duma. The amendments are expected to contain several positive measures, including establishment of beneficial ownership requirements, such as criteria under which a person might be deemed a beneficial owner, and identification requirements. The amendments also are expected to expand the list of entities subject to anti-money laundering/countering the financing of terrorism (AML/CFT) requirements and the scope of transactions falling under the financial intelligence unit's control. The GOR should pass these legislative changes.

In 2010, self-laundering of amounts lower than RUB 6 million (approximately $196,800) was decriminalized with the rationale being it would allow authorities to better focus on third party laundering. This contradicts international standards, however; and Russian authorities have been encouraged to reconsider this limit. Russia also should ensure that obligated entities are able to report every type of suspicious activity related to money laundering.

Though the overall STR regime is working well in practice, presently there is no legal basis for reporting attempted transactions by occasional customers. There is also no prohibition on maintaining existing accounts under fictitious names, even in cases where bona fide identification was shown at the time of opening the account. The Central Bank requires banks to conduct repeat identification of customers when there is doubt over previously submitted identification, but other financial institutions are not subject to such requirements. Banks also lack the authority to refuse to carry out a transaction or to open an account when they have strong AML concerns regarding the transaction or prospective

clients. The above proposed amendments may address some of these issues, including allowing banks to refuse to open accounts when there is suspicion of fraud as well as prohibiting accounts for anonymous owners or those using pseudonyms. Further attempts should be made to bring the AML efforts of all Russian banks to a more sophisticated level, including continued enhancement of the compliance training and certification process.

Although the GOR continues to establish and develop anti-corruption measures, corruption continues to be a problem. Domestic PEPs still are not monitored with the same scrutiny as foreign PEPs. The government should ensure that domestic PEPs are put under the same scrutiny as foreign PEPs.

Singapore

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

As of December 1, 2012, there were 37 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately S$1.34 trillion (approximately $1.03 trillion). As of December 2011, Singapore had at least $700 billion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of $3.98 billion, but online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

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

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM

ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,557 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 32 in 2011

Convictions: 26 in 2011

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Singapore is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore has a comprehensive STR regime and applies AML/CFT requirements to a broad range of entities. Currently, there is no requirement for reporting large currency transactions, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

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

Singapore should more aggressively pursue domestic stand-alone money laundering offenses as well.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses, and use stand-alone money laundering charges to prosecute foreign offenders in Singapore.

Somalia

In 2012, Somalia made significant progress in recovery from its status as a failed state by completing its political transition. In September 2012, a new Parliament elected a new President, who named a Prime Minister and Cabinet. Somali National Army forces, alongside troops from the African Union Mission in Somalia, made significant gains against the U.S.-designated terrorist group al-Shabaab, pushing the extremist militia out of all major cities it previously held. Nevertheless the country is still attempting to stabilize, and the government struggles with weak institutions. A provisional constitution was adopted by a Constituent Assembly of Somali leaders in 2012.

The financial system in Somalia operates almost completely outside of government oversight, either on the black market or via remitters and hawalas. Smuggling is rampant. Somalia has one of the longest land borders as well as the longest coastline in Africa. Officials are unable to maintain control over these points of entry, and goods flow in and out of Somalia unchecked. Piracy ransoms are laundered, especially in northern Somalia, and perhaps in neighboring countries, the Middle East, or Europe. There is some evidence that piracy revenues are laundered through Nairobi and Dubai. The ransoms are delivered through cash drops to pirates holding ships off Somalia's coast. They are divided among the pirates themselves, their support networks on shore, and possibly national and international sponsors. Much of the ransom reportedly remains in cash. Anecdotal reports are that real estate, luxury goods and businesses are financed by ransoms. In Somalia's small, impoverished towns, these purchases and investments are difficult to hide, however, making laundering money in Somalia difficult.

Public corruption significantly facilitates money laundering. For example, some government officials in Somalia's northern region of Puntland are reportedly benefiting from pirate ransoms. They may facilitate ransom laundering or the transfer of ransom money to foreign destinations. Somalia ranks 174 of 174 countries on Transparency International's 2012 Corruption Perception Index, although the new government is taking important steps to improve its public financial management and appears more committed to transparency than the transitional government that preceded it.

Somalia is also a center for terrorist financing. Al-Shabaab remains the most significant threat to Somalia and the region. Its insurgency against the Government of Somalia (GOS) receives financing from multiple sources, including through financial donations

from non-Somali and Somali sympathizers both inside Somalia and abroad, taxation of and extortion targeting local businesses and private citizens, and a monopoly on the charcoal trade which both the Somali government and the UN have banned as a means of depriving al-Shabaab of a significant revenue stream. Some funds enter as cash, but a significant portion reportedly passes through hawaladars and other money or value transfer services. There also are occasional reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas as well as reports of al-Shabaab extorting ransom payments from pirates. There are concerns that money is laundered into the country in support of al-Shabaab.

A 2006 World Bank study pegged remittances at roughly $1 billion per year, mostly sent by Somali workers overseas to their relatives. To the extent Somalis may be engaged in the drug trade in the United States, some of those proceeds are probably transferred to Somalia through hawalas in the form of remittances.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not applicable

Are legal persons covered: ***criminally:*** Not applicable ***civilly:*** Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: None

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not applicable

Number of CTRs received and time frame: Not applicable

STR covered entities: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: NO

Somalia is not a member of any Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Until the completion of its political transition in September 2012, Somalia was essentially without a functioning central government since 1991. While the new government is identifying priority areas for new legislation and working with the international community to enhance its institutional capacity and create regulatory bodies, existing laws – anti-money laundering (AML), counter-terrorism financing (CFT), or otherwise – are currently unenforceable, given the lack of policing and investigative capacity and Somalia's insecurity.

The lack of credible AML/CFT laws, regulatory bodies, and enforcement mechanisms to counter money laundering and financial crimes is believed to be due to a lack of capacity within the federal government, and not a lack of political will. Obstacles to enacting AML/CFT laws include the federal government's limited territorial control over parts of southern and central Somalia beyond Mogadishu, threats to the government by the al-Shabaab insurgency, lack of capacity at all levels of government, and insufficient policing and investigative capacity.

Somalia essentially lacks a formal financial sector with the exception of two commercial banks, one operating in Somaliland and the other in Mogadishu. There are no functioning government regulatory agencies to oversee the financial sector. As such, formal financial institutions and hawala companies in Somalia are not subject to know-your-customer (KYC) or STR reporting programs under Somali law. These entities have no credible government authority to which to report these types of transactions. There are virtually no financial record-keeping requirements enforced by the GOS. International standards, to the extent they exist, are self-imposed in Somalia by hawalas and other financial entities that must meet international rules and regulations to do business elsewhere in the world. Money remittance companies, for example, almost all use electronic AML/CFT systems which flag names listed on the UN 1267 Sanctions Committee's consolidated list.

The legal system in Somalia is composed of traditional courts ("xeer") as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but the laws that exist are difficult to enforce given the weak capacity of judicial and law enforcement institutions and general instability.

In theory, the Ministry of Finance and Treasury would be responsible for investigating financial crimes. The ministry lacks the capacity, including financial, technical and human resources, to investigate money laundering and terror financing. There are no government entities charged with, or capable of, tracking, seizing, or freezing illegal assets. Somalia has no modern laws requiring forfeiture of terrorist or laundered assets,

and what laws may lend themselves to AML/CFT are not being enforced. The government has called on regional governments to help stem the flow of terrorist financing, including requesting local governments to trace, freeze, and seize al-Shabaab financing.

The Ministry of Finance and Treasury, and the wider government, still struggle to combat internal corruption and the embezzlement of public funds. While government corruption was rampant in the previous transitional administration, the new government has taken steps to combat corruption, including public declarations against corruption. The GOS has already increased transparency in government revenues, requiring that donations to the government be deposited directly to the Central Bank of Somalia. The new constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector. Somalia has not yet established the Commission.

Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, piracy and terrorist acts committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorist financing with other countries but has said it welcomes collaboration.

Somalia should continue taking steps to combat corruption and cooperate internationally, and begin to give itself the legal authorities to combat money laundering and terrorist financing domestically, including by criminalizing both. The GOS should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget and training – to investigate and prosecute financial crimes.

Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe from Central and South America and North Africa, although the serious focus of Spanish law enforcement on combating organized crime, drug trafficking, and money laundering during the past five years has reduced the country's attractiveness as an entry point.

Money laundering is related to drug trafficking and organized crime, as well as financial support for terrorism and for tax evasion purposes. Proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector. Access in Spain to European financial institutions allows for the introduction of illicit funds into the global financial system with diminished scrutiny.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash.

Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement cites an emerging trend in drugs and drug proceeds entering Spain from new European Union (EU) member states with less robust law enforcement capabilities.

Tax evasion in internal markets also continues to be a source of illicit funds in Spain. In a recent operation targeting a group of Chinese businesses, Spanish law enforcement discovered the systematic falsification of invoices for goods entering Spain, the sale of the goods, and an elaborate money laundering network that was used to repatriate the illicit proceeds back to the People's Republic of China. The Spanish authorities estimated that the total amount of money laundered, and therefore associated tax revenue lost, was in the hundreds of millions of euros.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,975 in 2011

Number of CTRs received and time frame: 644,006 in 2011

STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of

commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Spain is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/59/15/46253063.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long combated both domestic and foreign terrorist organizations and Spanish law enforcement entities have identified various vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for the purposes of propaganda, fraudulent tax and financial assistance collections; the establishment of "cultural associations"; and alternative remittance system transfers. Informal non-bank outlets such as *locutorios* (communication centers that often offer wire transfer services) are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community.

In April 2010, Spain enacted a law to prevent money laundering and terrorist financing. The law introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals. Additionally, the law greatly enhances authorities' capacity to combat terrorist financing by placing greater requirements on financial institutions and other businesses, and by strengthening penalties and monitoring and oversight. The law entered into force immediately; however, implementing regulations will not be approved until 2013. Until then, many of its provisions are not being implemented. In the interim, the implementing regulations for an earlier 2005 law remain in force. Spain should implement the provisions of the new law.

Spanish law does not allow civil forfeiture. Carrying more than 100,000 euros (approximately $131,700) in cash within the country is not allowed. If the authorities discover an amount larger than that, they can seize and hold it until proof of legal origin is provided.

The Spanish government has increased its efforts to combat fraud and tackle Spain's large underground economy. An anti-fraud law, which entered into effect on October 31, 2012, restricts cash transactions between businesses and professionals to less than 2,500 euros (approximately $3,300). Failure to comply with the new norm can result in an administrative fine equivalent to 25 percent of the total value of the payment. The limit for cash transactions for non-resident individuals is €15,000 (approximately $19,950), to allow for tourists' expenditures. The anti-fraud law also establishes a new obligation to report on foreign assets and expands the liability of successor corporations, among other measures.

In 2010, the Financial Crimes Enforcement Network (FinCEN), the financial intelligence unit of the U.S., suspended information sharing with its Spanish counterpart, the Executive Service for the Prevention of Money Laundering (SEPBLAC) due to an unauthorized disclosure of FinCEN information by Spanish authorities. SEPBLAC has addressed the improper disclosure issues and has taken steps to ensure the protection of FinCEN's information, including negotiating an updated version of a memorandum of understanding (MOU) with FinCEN. FinCEN will resume information exchange with SEPBLAC after signing the MOU. The security forces and the judiciary exchange information with the U.S. related to money laundering.

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

St. Maarten

Sint Maarten (St. Maarten) is an autonomous entity within the Kingdom of the Netherlands (KON). St. Maarten enjoys sovereignty on most internal matters and defers to the KON in matters of defense, foreign policy, final judicial review, human rights, and good governance.

Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity of other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. There are 14 casinos on the island and online gaming is legal and subject to supervision.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, law offices, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, law offices, insurance companies, casinos, Customs, money remitters, Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its first mutual evaluation was recently completed. Once published, it will be found here: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of St. Maarten's (GOSM) anti-money laundering/counter-terrorist financing (AML/CFT) regime needs improvements in regard to KYC rules, STR collection, criminalizing terrorist financing in line with international standards, and general enhancement of AML/CFT supervision in all sectors. Additionally, shortcomings are noted within the financial intelligence unit (FIU).

Under the former Netherlands Antilles jurisdiction, most governmental organizations were based in Curacao. Following the dissolution of the Netherlands Antilles in 2010, St. Maarten created its own FIU under the Ministry of Justice. The FIU has signed memoranda of understanding for information exchange with several countries and is pursuing membership in the Egmont Group of FIUs.

While St. Maarten and Curacao have a joint Central Bank, St. Maarten has established a Tax Office Criminal Investigation Unit and a Financial Investigation Department.

The GOSM is amending legislation to provide for AML monitoring of casinos, and is pursuing money laundering investigations and prosecutions. In 2012, the GOSM conducted a major money laundering investigation, and in August, $687,000 was seized from suspected launderers. Two additional criminals were prosecuted for smuggling $15,000 into the country in September 2012.

The Mutual Legal Assistance Treaty between the KON and the United States extends to St. Maarten. As part of the KON, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the KON may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten in 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

Switzerland

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,625 in 2011

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 290 in 2011

Convictions: 219 in 2010

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Switzerland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/53/52/43959966.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

From 2010 to 2011, the number of suspicious activity reports increased by 40 percent to 1,625, encompassing a total of CHF 3.3 billion (approximately $3.4 billion), compared to CHF 850 million (approximately $962 million) in 2010. In 2011, ten reports were related to terrorism finance, amounting to CHF 152,000 (approximately $160,000).

There is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. The authorities should work to regulate these sectors.

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

Since 2009, persons physically transferring money worth more than $10,600 into or out of Switzerland need to declare this cash and have to be able to specify to the authorities its origins, its destination, and its owner.

Taiwan

Taiwan is a regional financial center. Its modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is only allowed in limited parts of Taiwan's territory but the extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduces the demand for unofficial remittance systems. However, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated and possibly organized crime-linked non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector which are regulated by Taiwan's Central Bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, trust and investment corporations, credit co-operative associations, credit departments of Farmers' Associations and the Fishermen's Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and retail jewelry businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,257: January to October 2012

Number of CTRs received and time frame: 3,098,660: January to October 2012

STR covered entities: Banks, trust and investment corporations, credit co-operative associations, credit departments of Farmers' Associations and the Fishermen's Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and retail jewelry businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13: January to October 2012

Convictions: 10: January to October 2012

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its anti-money laundering/counter-terrorist financing (AML/CFT) regime, but is not in full compliance with international standards on combating terrorist financing. While Taiwan criminalized the financing of terrorist activities, it is not an autonomous offense and does not specifically cover the financing and support of terrorist activities overseas. Taiwan should pass legislation to criminalize terrorism and terrorist financing as an autonomous crime, and clarify that the law covers such activities overseas. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type.

New regulations regarding the reporting of transactions by jewelry stores came into force in January 2012, with stricter reporting requirements and a lower reporting threshold for transactions. Violations of these reporting requirements will be subject to penalties under Taiwan's money laundering law. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. It is too early to evaluate the effectiveness of the new rules in discouraging illegal remittance via jewelry shops.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering/terrorist financing activity. Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing and should exert more authority over this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance centers such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify UN conventions because of long-standing political issues. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Thailand

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

black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

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

Thailand was publicly identified by the Financial Action Task Force (FATF) in February 2010 for its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, for which it has developed an action plan. In October 2012, the FATF determined that Thailand's progress against the agreed action plan's timeline continues to be insufficient and the Government of Thailand (GOT) needs to take adequate action to address its main deficiencies.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks (including state banks), finance companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses, as well as deposit/lending cooperatives with total operating capital exceeding $67,000

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 92,392: January - September 2012

Number of CTRs received and time frame: 824,082: January - September 2012

STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, and mortgage finance companies; land registration offices, moneychangers, remittance

agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, electronic and credit card companies, and electronic payment companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 44 in 2012
Convictions: 31 in 2012

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

Thailand is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Thailand%20DAR.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Political and civil unrest, natural disasters and elections have impeded Thailand's implementation of its AML/CFT action plan. Thailand's legislative framework still does not adequately criminalize terrorist financing and does not establish adequate procedures for identifying and freezing terrorist assets. The GOT should pass the necessary laws in its end-of-year Parliamentary session to address the Thai financial system's vulnerabilities to money laundering and terrorist financing.

Thai banking regulations cover financial institutions adequately but are ineffective against less formal operations.

The GOT has made some progress in improving its financial intelligence unit and its regulatory framework. The government has increased salaries of Anti-Money Laundering Office (AMLO) investigators to counter historically high turnover. The AMLO is responsible for monitoring compliance with AML/CFT requirements, coordinating information sharing and ensuring that financial supervisors carry out their responsibilities effectively. Thailand also has made progress in the training and supervision of reporting entities, particularly money changers and transfer businesses.

Thai law does not adequately prohibit tipping off, leaving financial institutions and their employees subject to potential liability for filing STRs. The GOT should amend its legislation as necessary to ensure this deficiency is corrected.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. It continues to be a major transit route for Southwest Asian opiates moving to Europe. However, narcotics trafficking is only one source of the funds laundered in Turkey. Other significant sources

include smuggling, invoice fraud and tax evasion, and to a lesser extent, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are also present in Turkey.

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

In October 2012, the Financial Action Task Force (FATF) included Turkey in its Public Statement for Turkey's continuing lack of adequate terrorist financing legislation and a legal framework within which to freeze terrorist assets. The FATF also announced it would take the countermeasure of suspending Turkey's FATF membership if appropriate actions to address its concerns are not taken by its February 22, 2013 plenary.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Turkey is a member of the FATF. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For the past two years, various draft terrorism finance laws, which were supposed to address international concerns, were circulated and submitted to Parliament, the most recent in October 2011. However, the FATF, upon review of the legislation, informed the Government of Turkey (GOT) that the draft law currently before Parliament is insufficient to address the vulnerabilities identified.

The GOT's nonprofit sector is vulnerable to terrorist financing. Turkey's investigative powers, law enforcement capability, oversight and outreach are weak and lacking in all the necessary tools and expertise to effectively counter this threat through a comprehensive approach; all these areas need to be strengthened. The nonprofit sector is not audited on a regular basis for terrorist financing activity and does not receive adequate anti-money laundering/counter-terrorist financing (AML/CFT) outreach or guidance from the GOT. The General Director of Foundations issues licenses for charitable foundations and oversees them. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML regime that should be addressed. These include: improving customer due diligence; making PEPs subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in

accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; and increasing the capacity of the financial intelligence unit to allow greater data collection and analysis. The GOT should ensure adequate resources are made available to improve the deficiencies in its AML/CFT framework and implementation.

Ukraine

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

The large shadow economy represents a significant vulnerability. An additional vulnerability is the level of corruption throughout society – both in the private and public sectors. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored. Transnational organized crime is also present and both transits the country as well as conducts business in Ukraine. It is involved in drug trafficking, economic crimes, cigarette trafficking, trafficking in persons, public corruption, real estate and other frauds, violent crimes and extortions. It is able to operate in Ukraine due to the corruption of the justice system.

Various laundering methodologies are used, including the use of real estate, insurance, bulk cash smuggling, and through shell companies and financial institutions. There is a significant market for smuggled goods and a large informal financial sector in the country. These activities are linked to evasion of taxes and customs duties. As many Ukrainians work abroad, worker remittances using banking transfers or via international payment systems are reported at $1.9 billion in 2011. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available – combined with CTRs
Number of CTRs received and time frame: 716,821 from January – September 2012
STR covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 42: January - June 2012
Convictions: 34: January - June 2012

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

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ukraine should address the rise of cybercrime and related transnational organized criminal activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase its attention to investigating large-scale corruption and money laundering schemes. Ukraine also should adopt and implement a system to provide for asset freezing, confiscation and forfeiture.

While Ukraine has the necessary treaties signed and ratified, in many instances they are not applied or are applied poorly. This is particularly true in the area of international law

enforcement cooperation, mutual legal assistance and asset forfeiture. Furthermore, while Ukraine is a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime, the provisions of these conventions are not implemented or are not working properly in Ukraine. Ukraine should work to implement its treaty obligations.

United Arab Emirates

The United Arab Emirates (UAE) is the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia. Its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center. The potential for money laundering is exacerbated by the large number of resident expatriates, roughly 80 to 85 percent of the total population, who send remittances to their homelands.

A significant portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Groups operating primarily outside the country almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorist financing.

Regional hawaladars and associated trading companies in various expatriate communities, most notably the Somalis, have established clearinghouses, the vast majority of which are not registered with the UAE government. Likewise, the UAE's proximity to Somalia has generated anecdotal reports suggesting some influx and/or transit of funds derived from piracy. There is no significant black market for smuggled goods in the UAE, but contraband smuggling (including alcohol) probably generates some funds that are laundered through the system. There are some indications that trade based money laundering occurs in the UAE and that such activity might support terrorist groups in Afghanistan, Pakistan and Somalia.

Other money laundering vulnerabilities in the UAE include exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center and 38 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs, and thousands more individual trading companies. Companies located in the free trade zones are considered offshore or foreign entities for legal purposes. However, UAE law prohibits the establishment of shell companies and trusts.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 479: January 1 – March 31, 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, exchange houses, and securities traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The United Arab Emirates is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE (GOUAE) continues to work on enhancing its anti-money laundering/countering the financing of terrorism (AML/CFT) program; however, several areas require ongoing action by the GOUAE. The GOUAE should increase the capacity and resources it devotes to investigation of ML/TF both federally at the Anti-Money Laundering/Suspicious Cases Unit (AMLSCU) and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. The AMLSCU also needs additional resources to be able to execute its mandate of hawaladar supervision – currently it is not capable of

supervising the vast number of hawaladars in the country or enforcing hawaladar compliance.

On August 13, 2012, the GOUAE issued Federal Legal Decree No. 5 for 2012 on combating cyber crimes. Article 37 of the law stipulates seven years' imprisonment and a fine of not less than 500,000 Dirhams (approximately $136,128) and not exceeding 2 million Dirhams (approximately $544,514) against any person using electronic sites or any information technology means to transfer or deposit illegal funds with the intention to hide or camouflage their source, or to hide or camouflage the facts about illegal funds, their source, movement and ownership.

Although UAE legislation includes a provision prohibiting tipping off, the provision is very narrow and does not appear to address the disclosure of STR filings to third parties. Additionally, the Central Bank regulations appear to require institutions to notify customers of suspicions regarding their accounts. This would appear to contradict any tipping off prohibitions.

While firms operating in the Dubai International Financial Center (DIFC) are subject to the UAE AML law, the Dubai Financial Services Authority (DFSA), regulator of the DIFC, has its own AML regulations and supervisory regime which it has based on regulatory regimes and standards found in the United States and Europe. This has caused some ambiguity about the Central Bank's and the FIU's respective authorities within the DIFC; however, the overlapping authorities can result in financial institutions holding to a more rigorous standard in compliance matters.

Enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The GOUAE should expand follow-up with financial institutions and the Ministry of Social Affairs regarding regulations on charities to ensure their registration at the federal level. The UAE also should continue its regional efforts to promote sound charitable oversight. The GOUAE has been looking at moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should continue to act upon this interest. The cooperation between the Central Bank and the DFSA can be improved, with lines of authority clarified. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program.

United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. *Bureau de change*, cash smugglers (into and out of the UK), and traditional gatekeepers (including lawyers and accountants) are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high value assets to disguise illegally obtained money.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit unions, building societies, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 285,000: January 1, 2012 – November 29, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 2,721 in 2010
Convictions: 1,587 in 2010

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

The United Kingdom is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FoR%20UK.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. It is an active participant in multilateral efforts to meet AML/CFT threats. The UK continuously reviews and assesses the effectiveness and proportionality of its AML/CFT regime – including through the approval of updated and more accessible industry guidance.

Late in 2012, in cooperation with U.S. authorities, the British Financial Services Authority (FSA) put in place a 25-point regulatory plan with which a large British-based bank must comply. The bank also agreed to pay a record $1.92 billion in fines to U.S. authorities for allowing itself to be used for several years to launder drug money flowing out of Mexico, and for other banking lapses, including transferring funds from countries under international sanctions. In a deferred prosecution agreement with the U.S. Department of Justice, the bank acknowledged it failed to maintain an effective program against money laundering and failed to conduct adequate due diligence on some account holders.

There is no enhanced customer due diligence for British PEPs. The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

In April 2013, the FSA is due to be reorganized. The new Prudential Regulation Authority will be the prudential supervisor and the Financial Conduct Authority will monitor the conduct of business across markets and services. The reorganization is dependent on the Financial Services Bill being approved by Parliament. Also, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, is due to transition to the National Crime Agency in 2013. It is important these changes not impede the UK's AML/CFT efforts.

Uruguay

Although the Government of Uruguay (GOU) took affirmative steps to counter money laundering (ML) and terrorism financing (TF) activities and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 75 percent of deposits and 50 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian criminal organizations are operating in Uruguay and Mexican criminal organizations are also likely present. There is additional concern about organized crime moving south from Brazil.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers are increasingly participating in other illicit activities like car theft and trafficking in persons, and violent crime is rising. Publicized ML cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, there is a market for smuggled goods, determined by price differentials between Uruguay and its neighbors. Bulk cash smuggling and trade-based money laundering are likely to occur; however, there is no indication they are tied to terrorist financing.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. Money is likely to be laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the GOU requiring they be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

There are 13 free trade zones (FTZs) located throughout the country. Three accommodate a variety of tenants offering a wide range of services, including financial services. Two were created exclusively for the development of the pulp industry, one is dedicated to science and technology, and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay. A decree passed in November 2010 discourages shell companies from establishing a presence in FTZs.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM

ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 199: January – November 2012

Number of CTRs received and time frame: 6.1 million: January – October 2012

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uruguay continued making progress on AML/CFT in 2012. Main developments include: the approval of the new National Strategy against money laundering for 2012-2015; the passage of a law banning bearer shares corporations; the signature of several tax information exchange agreements; the compilation of all AML/CFT-related legislation in a single body (with a view to harmonization and improvement); and, the launching of a Strategic Information Unit within the AML Secretariat (AMLS) (Decree 334/12).

Additionally, the GOU created a working group to analyze the inclusion of tax evasion as a predicate crime for ML. The financial intelligence unit (UIAF) released a "Guide to Risky Operations and Alerts Related to Terrorism Finance" (Communication 2012/191), and the AMLS launched its web page.

The AML/CFT Strategy, approved in August 2012 via Decree 289/12, is expected to be a major improvement from the previous 2007 strategy. It was developed in two stages with donor support: identification of the most vulnerable areas (2010) and design of a strategy to address them (2011). The new Strategy seeks to strengthen Uruguay's overall AML/CFT system by improving three areas: prevention; detection/financial intelligence; and criminal justice. UIAF personnel are hopeful the Strategy will help the GOU address several weak points on prevention and control. The Strategy's work plan includes a precise set of goals, lays out responsibilities for different agencies, and sets a timeline for each goal.

Law No 18,914, passed in June 2012, mandates all government offices supply information to two judges and two prosecutors specialized in organized crime. The law expedites the procedures for judges and enables prosecutors to require reporting. In 2012, the GOU continued strengthening its AMLS, which organized several training events to create awareness about the importance of seizing assets and imprisoning criminals. In December 2011 and May 2012, the UIAF extended the obligation to report CTRs to securities intermediaries and wire transferors/remitters (Communications 2011/228 and 2012/036). In 2012, the UIAF designed a set of early warning indicators to leverage its comprehensive database. Over 96 percent of STRs were made by the financial sector.

The GOU does not have precise public records on prosecutions, convictions or amount of seized assets related exclusively to AML/CFT cases. Reportedly, 11 individuals were prosecuted in January - late November 2012, in two money laundering cases that had trafficking in persons and corruption as predicate crimes. The National Drug Council, which administers Uruguay's Seized Assets Fund, indicates that between January and late November 2012, the GOU seized 47 vehicles and $1.2 million in cash, and confiscated one house. In 2012, the UIAF did not freeze any assets.

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

Venezuela

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

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent method for laundering regional narcotics proceeds. One such trade-based system is the black market peso exchange, through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in exchange for Colombian pesos. It is reported many black market traders ship their goods through Margarita Island's free port.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,427 in 2011

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14: January 1 - November 29, 2012
Convictions: 8: January 1 - November 29, 2012

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

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatfgafic.org/downloadables/mer/Venezuela_3rd_Round_MER_(Final)_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Venezuela (GOV) has implemented its 2010 action plan and improved anti-money laundering/counter-terrorism financing (AML/CFT) deficiencies. Venezuela's executive branch approved new regulations to strengthen the supervision of banks and securities intermediaries through the Superintendent of Banking Sector Institutions and National Superintendent of Securities, respectively. In the banking sector, the new regulations require enhanced due diligence for higher-risk activities, customer profiles, and categories of customers – distinctions that did not exist prior to these regulations. In the securities sector, the new regulations require securities intermediaries to determine the origin and destination of the funds being used, conduct comprehensive customer due diligence, appoint compliance officers, maintain internal committees for prevention and control of money laundering, and have a code of ethics. In January 2012, the national assembly passed a law that defines and sanctions both organized crime and terrorist financing. However, the politicized judicial system compromises the law's effectiveness. The GOV should increase institutional infrastructure and technical capacity to effectively implement the new AML/CFT legislation and legal mechanisms.

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

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and official corruption. Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and investigators and limited asset-seizure authority. These deficiencies expose the country to money laundering abuses, but there are no data on the extent of money laundering in Zimbabwe. The exposure is greatest within the financial sector, which includes both formal and informal institutions. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and

lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Financial crime may also be magnified by efforts by the Government of Zimbabwe (GOZ) to sell diamonds through sanctions-skirting approaches including high-value cash transactions and obfuscating actual entities involved in electronic financial transactions.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The GOZ's switch to this "multi-currency regime" dramatically reduced opportunities for money laundering and financial crime arising from the multiple exchange rates and opaque foreign exchange controls that were in place until 2009. Legislators from all parties in the coalition government have increased scrutiny of government activities, and ministers from former opposition parties have pushed for further reforms. For example, the parliamentary committee on mining has held officials to account for GOZ actions in the Marange diamond fields. As a result, the Ministry of Finance promised to tighten controls by introducing a Diamond Act and to enhance the revenue authority's oversight on production and sale of diamonds. Ultimate responsibility for the Diamond Act lies with the Ministry of Mines and Mining Development, and a draft Act has not yet been produced. In addition, the minister of finance implemented a new law to improve accountability at the Reserve Bank of Zimbabwe.

The United States, Canada, Australia, and the European Union have imposed targeted financial sanctions and travel restrictions on political leaders and a limited number of companies and state-owned enterprises believed to have been complicit in human rights abuses and undermining Zimbabwe's democracy.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 142: January 1 - November 5, 2012
Number of CTRs received and time frame: Not available
STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other Mechanism:*** NO
With other governments/jurisdiction: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

AML legislation is sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's anti-money laundering mechanisms.

Zimbabwe has developed an action plan to address its strategic anti-money laundering/counter-terrorist financing deficiencies. Zimbabwe now has a fully operational and functioning financial intelligence unit. The GOZ, however, still needs to adequately criminalize money laundering and terrorist financing, and establish and implement procedures to adequately identify and freeze terrorist assets to effectively implement UNSCRs 1267 and 1373.

Law-enforcement and regulatory agencies lack the resources to combat money laundering vigorously. Zimbabwe has criminalized money laundering and put in place mechanisms for freezing and forfeiting assets; however, deficiencies remain in being able to do so in a timely manner. The banking system can quickly freeze accounts, but financial institutions typically receive information related to designations from private sources and not government agencies. Zimbabwe has broad legislation on mutual legal assistance in both civil and criminal cases. In general, there are no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense. There were a number of prosecutions and convictions between January and November 2012, although exact figures are not available because of lack of a centralized system for compiling and collating the information.

The Government of Zimbabwe (GOZ) should ensure obliged entities comply with the STR filing requirements. The GOZ should improve its implementation of obligations under UNSCRs 1267 and 1373, and become a party to the International Convention for the Suppression of the Financing of Terrorism.