



**United States Department of State**

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

# **International Narcotics Control Strategy Report**

**Volume II**

**Money Laundering**

**March 2019**

## Table of Contents

Common Abbreviations.....	6
Definitions .....	9
Legislative Basis and Methodology for the INCSR .....	14
Overview.....	16
Training Activities .....	20
Board of Governors of the Federal Reserve System (FRB) .....	20
Department of Homeland Security .....	21
Customs and Border Patrol (CBP) .....	21
Immigration and Customs Enforcement (ICE) .....	21
Department of Justice .....	22
Drug Enforcement Administration (DEA) .....	22
Federal Bureau of Investigation (FBI) .....	22
Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) .....	23
Department of State .....	24
Department of the Treasury .....	26
Internal Revenue Service, Criminal Investigations (IRS-CI) .....	26
Office of the Comptroller of the Currency (OCC) .....	26
Office of Technical Assistance (OTA).....	26
Comparative Table Key .....	28
<i>Comparative Table</i> .....	30
Afghanistan.....	35
Albania.....	37
Algeria .....	39
Antigua and Barbuda .....	40
Argentina.....	43
Armenia .....	45
Aruba .....	47
Azerbaijan .....	49
Bahamas.....	50
Barbados .....	52
Belgium .....	54
Belize .....	56

---

<b>Benin.....</b>	<b>59</b>
<b>Bolivia.....</b>	<b>61</b>
<b>Bosnia and Herzegovina .....</b>	<b>63</b>
<b>Brazil.....</b>	<b>65</b>
<b>British Virgin Islands .....</b>	<b>67</b>
<b>Burma .....</b>	<b>69</b>
<b>Cabo Verde .....</b>	<b>71</b>
<b>Canada.....</b>	<b>73</b>
<b>Cayman Islands .....</b>	<b>75</b>
<b>China, People’s Republic of.....</b>	<b>77</b>
<b>Colombia .....</b>	<b>79</b>
<b>Costa Rica .....</b>	<b>81</b>
<b>Cuba.....</b>	<b>83</b>
<b>Curacao .....</b>	<b>85</b>
<b>Cyprus .....</b>	<b>87</b>
<b>Dominica .....</b>	<b>91</b>
<b>Dominican Republic.....</b>	<b>93</b>
<b>Ecuador .....</b>	<b>95</b>
<b>El Salvador .....</b>	<b>97</b>
<b>Georgia .....</b>	<b>100</b>
<b>Ghana .....</b>	<b>102</b>
<b>Guatemala .....</b>	<b>104</b>
<b>Guyana .....</b>	<b>106</b>
<b>Haiti .....</b>	<b>108</b>
<b>Honduras.....</b>	<b>110</b>
<b>Hong Kong .....</b>	<b>112</b>
<b>India .....</b>	<b>114</b>
<b>Indonesia.....</b>	<b>116</b>
<b>Iran .....</b>	<b>118</b>
<b>Italy .....</b>	<b>120</b>
<b>Jamaica .....</b>	<b>122</b>
<b>Kazakhstan .....</b>	<b>124</b>
<b>Kenya.....</b>	<b>126</b>
<b>Laos .....</b>	<b>128</b>

---

<b>Liberia.....</b>	<b>131</b>
<b>Macau .....</b>	<b>133</b>
<b>Malaysia.....</b>	<b>135</b>
<b>Mexico .....</b>	<b>137</b>
<b>Morocco.....</b>	<b>139</b>
<b>Mozambique.....</b>	<b>141</b>
<b>Netherlands.....</b>	<b>143</b>
<b>Nicaragua .....</b>	<b>145</b>
<b>Nigeria .....</b>	<b>147</b>
<b>Pakistan.....</b>	<b>149</b>
<b>Panama.....</b>	<b>151</b>
<b>Paraguay .....</b>	<b>153</b>
<b>Peru.....</b>	<b>155</b>
<b>Philippines .....</b>	<b>157</b>
<b>Russian Federation .....</b>	<b>159</b>
<b>St. Kitts and Nevis.....</b>	<b>161</b>
<b>St. Lucia.....</b>	<b>163</b>
<b>St. Vincent and the Grenadines.....</b>	<b>165</b>
<b>Senegal.....</b>	<b>166</b>
<b>Serbia.....</b>	<b>168</b>
<b>Sint Maarten.....</b>	<b>170</b>
<b>Spain.....</b>	<b>172</b>
<b>Suriname .....</b>	<b>174</b>
<b>Tajikistan.....</b>	<b>175</b>
<b>Tanzania .....</b>	<b>177</b>
<b>Thailand.....</b>	<b>179</b>
<b>Trinidad and Tobago.....</b>	<b>181</b>
<b>Turkey.....</b>	<b>183</b>
<b>Ukraine .....</b>	<b>185</b>
<b>United Arab Emirates.....</b>	<b>188</b>
<b>United Kingdom.....</b>	<b>190</b>
<b>Uzbekistan .....</b>	<b>192</b>
<b>Venezuela.....</b>	<b>194</b>
<b>Vietnam.....</b>	<b>196</b>



## Common Abbreviations

1988 UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BMPE	Black Market Peso Exchange
CBP	Customs and Border Protection
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DHS/HSI	Department of Homeland Security/Homeland Security Investigations
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FinCEN	Department of the Treasury's Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FTZ	Free Trade Zone
GABAC	Action Group against Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America

GDP	Gross Domestic Product
GIABA	Inter Governmental Action Group against Money Laundering
IBC	International Business Company
ILEA	International Law Enforcement Academy
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service, Criminal Investigations
ISIL	Islamic State of Iraq and the Levant
KYC	Know-Your-Customer
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
MSB	Money Service Business
MVTS	Money or Value Transfer Service
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
PEP	Politically Exposed Person
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit

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



## Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

**Free Trade Zone (FTZ):** A special commercial and/or industrial area where foreign and domestic merchandise may be brought in without being subject to the payment of usual customs duties, taxes, and/or fees. Merchandise, including raw materials, components, and finished goods, may be stored, sold, exhibited, repacked, assembled, sorted, or otherwise manipulated prior to re-export or entry into the area of the country covered by customs. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to customs. FTZs may also be called special economic zones, free ports, duty-free zones, or bonded warehouses.

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

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

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

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

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

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

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

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

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

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

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

**Natural Person:** In jurisprudence, a natural person is a real human being, as opposed to a legal person (see above). In many cases, fundamental human rights are implicitly granted only to natural persons.

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

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

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

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

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

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

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

**Tipping Off:** The disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party. The FATF Recommendations call for such an action to be criminalized.

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

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

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

**Unexplained Wealth Order (UWO):** A type of court order to compel someone to reveal the sources of their unexplained wealth. UWOs require the owner of an asset to explain how he or she was able to afford that asset. Persons who fail to provide a response may have assets seized or may be subject to other sanctions.

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

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

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

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

## Legislative Basis and Methodology for the INCSR

The 2019 volume on *Money Laundering* is a legislatively-mandated section of the annual International Narcotics Control Strategy Report (INCSR), in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291).<sup>1</sup>

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

In addition to identifying countries in relation to illicit narcotics, the INCSR is mandated to identify “major money laundering countries” (FAA §489(a)(3)(C)). The INCSR also is required to report findings on each country’s adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This volume is the section of the INCSR that reports on money laundering and country efforts to address it.

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

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

The following countries/jurisdictions have been identified this year:

### Major Money Laundering Jurisdictions in 2018:

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

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<sup>1</sup> This 2019 report on Money Laundering is based upon the contributions of numerous U.S. government agencies and international sources. Specifically, the U.S. Treasury Department’s Office of Terrorist Financing and Financial Crimes, Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance; Department of Homeland Security’s Immigration and Customs Enforcement and Customs and Border Protection; Department of Justice’s Money Laundering and Asset Recovery Section, National Security Division, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Russia, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Senegal, Serbia, Sint Maarten, Spain, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela, and Vietnam.

## Overview

Money laundering, both at the country and multilateral levels, remains a significant crime issue despite robust, multifaceted efforts to address it. While arriving at a precise figure for the amount of criminal proceeds laundered is impossible, some studies by relevant international organizations estimate it may constitute 2-5 percent of global GDP. It is a seemingly ubiquitous criminal phenomenon: money laundering facilitates many other crimes and has become an indispensable tool of drug traffickers, transnational criminal organizations, and terrorist groups around the world. Its nefarious impact is considerable: it contributes to the breakdown of the rule of law, corruption of public officials, and destabilization of economies, and it threatens political stability, democracy, and free markets around the globe.

For these reasons, the development and implementation of effective AML regimes consistent with international standards and the ability to meet evolving challenges is clearly vital to the maintenance of solvent, secure, and reliable financial, commercial, and trade systems. Reducing money laundering's threat to U.S. interests is a national security priority reflected in the 2018 National Security Strategy and the 2017 Executive Order 13773, Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking. To that end, the United States, a founding member of FATF, has worked within the organization, and with partner countries and FATF-style regional bodies, to promote compliance with the 49 Recommendations. It has also supported, through technical assistance and other means, the development and implementation of robust national-level AML regimes in jurisdictions around the world.

The 2019 edition of the Congressionally-mandated *International Narcotics Control Strategy Report, Volume II: Money Laundering* focuses on the exposure to this threat – in the specific context of narcotics-related money laundering – of jurisdictions around the world. As with past reports, it provides a review of the AML legal and institutional infrastructure of each jurisdiction, highlights the most significant steps each has taken to improve its AML regime, describes key vulnerabilities, and identifies each jurisdiction's capacity to share information and cooperate in international investigations. The report also highlights the United States government's provision of AML-related technical assistance.

This year's report highlights that the issues reflected in the FATF Recommendations remain among the key challenges in this field. In view of the experience of jurisdictions included in the 2019 report, identification and reporting of suspicious transactions, identification of the true beneficial owners of legal entities and transactions, and frameworks and practices for international cooperation on money laundering investigations and prosecutions remain as germane today as when the FATF was created.

As new technologies come into use, various crimes, including money laundering, continue to evolve and pose new challenges for societies, governments, and law enforcement. New technologies create opportunities for exploitation by criminals and terrorists. For example, in Africa, South Asia, and some other parts of the world, use of mobile telephony to send and receive money or credit has outstripped owning a bank account. The rapid growth of global mobile payments (m-payments) and virtual currencies demands particular attention in the AML



sphere. The risk that criminal and terrorist organizations will co-opt m-payment services is real, particularly as the services can manifest less than optimal financial transparency. Similarly, virtual currencies are growing in popularity and expanding their reach. For example, key MSBs are exploring how to incorporate virtual or crypto currency (blockchain platform) payments to expedite remittances to locations around the world. Regulators and law enforcement are beginning, in some jurisdictions, to respond to the use of such anonymous e-payment methodologies, but their rapid development poses challenges on the policy, legal, and enforcement levels. Mexico and China have added virtual currency platforms and dealers as covered entities for AML supervision purposes, while Cayman Islands is among the jurisdictions taking action to develop legislation to address their use, and the British Virgin Islands issued a public advisory regarding the risk of investing in virtual currencies. Although virtual currencies are currently illegal in India, the government is exploring a regulatory regime for their use.

Corruption is both a significant by-product and a facilitating crime of the international drug trade and transnational organized crime. While corruption risks occur in any country, the risks are particularly high in countries where political will may be weak, institutions ineffective, or the country's AML infrastructure deficient. Encouragingly, the 2019 Report again highlights action several governments are taking to more effectively address corruption and its links to money laundering. As with money laundering, while legislative and institutional reforms are an important foundation, robust and consistent enforcement is also key, though often lacking. Jamaica, Senegal, Serbia, and Uzbekistan all enacted legislation to address corruption and/or PEPs. Sint Maarten charged a member of parliament with bribery, tax evasion, and money laundering. Argentina and Ecuador continue to investigate and prosecute corruption cases. Malaysia's new government has taken action to prosecute a number of former government officials, including a former prime minister, who allegedly were involved in misappropriations from the state-owned development fund.

The transparency of beneficial ownership remains a central focus for AML, arising in the discussions of multilateral fora such as FATF as well as in coverage of some recent high-level corruption allegations. Shell companies are used by drug traffickers, organized criminal organizations, corrupt officials, and some regimes to launder money and evade sanctions. "Off-the shelf" IBCs, purchased via the internet, remain a significant concern, by creating a vehicle through which nominee directors from a different country may effectively provide anonymity to the true beneficial owners. While the 2019 Report reflects that beneficial ownership transparency remains a vulnerability in many jurisdictions, the report also highlights significant steps taken by various jurisdictions on the issue. Cyprus issued circulars to banking, credit, payment, and virtual money institutions advising them to be extra vigilant against shell companies and to avoid doing business with them. To increase the transparency of company ownership, Peru enacted legislation to mandate the disclosure of beneficial ownership. Cyprus and Serbia have new laws addressing centralized records of beneficial owners. Additionally, in an effort to increase transparency, increasing numbers of jurisdictions, such as Argentina and Curacao, are concluding tax information sharing agreements. Others, such as Pakistan, Panama, and Russia are beginning to share financial information under the OECD's Multilateral Competent Authority Agreement. Here in the United States, on May 11, 2018, a new Treasury Department rule on beneficial ownership went into effect, requiring covered entities to identify and verify the identities of beneficial owners of legal entities.

The year 2018 saw increasing scrutiny at the international level of economic citizenship programs, which are also vulnerable to money laundering activity and must be closely monitored and regulated to prevent their abuse by criminals. U.S. law enforcement remains highly concerned about the expansion of these programs due to the visa-free travel and ability to open bank accounts accorded to participating individuals; other vulnerabilities, as well as good practices in countermeasures, have been analyzed in the various 2018 studies and publications on the issue. While Turkey eased its requirements for economic citizenship, St. Kitts and Nevis now uses a regional central clearing house under the auspices of the Caribbean Community to properly vet candidates. Antigua and Barbuda and St. Lucia have established their own vetting units.

Although new technologies are gaining popularity, money launderers continue to use offshore centers, FTZs, and gaming enterprises to launder illicit funds. These sectors can offer convenience and, often, anonymity to those wishing to hide or launder the proceeds of narcotics trafficking and other serious crimes. While the appeal of these institutions translates into their continued appearance across many of the jurisdictions that appear in the 2019 INCSR, many jurisdictions are taking measures to reduce vulnerabilities. In recent years, Dominica revoked the licenses of eight offshore banks. Macau is taking a more stringent approach toward the licensing and supervision of gaming junket promoters. Bahamian gaming authorities can observe operations, including account transactions, in real time from remote locations. In its second criminal prosecution involving money laundering charges, Vietnam prosecuted over 90 defendants associated with a prohibited online gaming enterprise.

To help address these issues, in 2018, the United States continued to mobilize government experts from relevant agencies to deliver a range of training programs, mentoring, and other capacity building support. U.S. government agencies also, in many cases, provided financial support to other entities to engage in complementary capacity-building activities, leveraging those organizations' unique expertise and reach. These U.S.-supported efforts build capacity to fight not only money laundering but also other crimes facilitated by money laundering, including narcotics trafficking, in partner jurisdictions. Depending on the jurisdiction, supervisory, law enforcement, prosecutorial, customs, FIU personnel, and private sector entities benefitted from the U.S.-supported programs. As the 2019 INCSR reflects, these efforts are resulting in an increase in investigations, prosecutions, and convictions, more robust institutions, and stronger compliance with international standards, in addition to raising awareness of cutting edge, emerging issues, such as abuse of new technologies, and sharing good practices to address them.

Looking ahead, FATF's recent focus on the identification of the methodologies currently used by human trafficking networks and terrorist financing and recruiting efforts will likely lead members of FATF and the FATF style-regional bodies to emphasize their endeavors in these areas. FATF notes the continued use of bulk cash smuggling and MVTs transactions in these areas, while crowdfunding is a new source of funding for small terrorist cells or lone wolves.

While the 2019 INCSR reflects the continued vulnerability to narcotics trafficking-related money laundering around the world, including in the United States, it also demonstrates the seriousness with which many jurisdictions are tackling the issue and the significant efforts many have

undertaken. Though the impact of the aforementioned efforts manifests through increased enforcement, there is much more to be done in that regard – the gap between de jure progress and implementation and enforcement in some jurisdictions is one of the most concerning observations of the report. The Department of State, working with our U.S. and international partners, will continue to support foreign assistance activities, diplomatic engagement, and law enforcement partnerships to promote compliance with international norms and strengthen capacity to combat money laundering, drug trafficking, and transnational organized crime.

## Training Activities

During 2018, U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures, financial investigations, and related issues to their counterparts around the globe. The programs provided the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. U.S. agencies supported courses in the United States as well as in the jurisdictions of the program beneficiaries. Depending on circumstances, U.S. agencies provided instruction directly or through other agencies or implementing partners, unilaterally or in collaboration with foreign counterparts, and with either a bilateral recipient or in multijurisdictional training exercises. The following is a representative, but not necessarily exhaustive, overview of the capacity building provided and organized by sponsoring agencies.

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

The FRB conducts a Bank Secrecy Act (BSA) and OFAC compliance program review as part of its regular safety-and-soundness examination. These examinations are an important component in the United States' efforts to detect and deter money laundering and terrorist financing. The FRB monitors its supervised financial institutions' conduct for BSA and OFAC compliance. Internationally, during 2018, the FRB conducted training and provided technical assistance to banking supervisors on AML topics during four seminars: one in Sao Paulo, Brazil; one in Cairo, Egypt; one in Washington, D.C.; and one in Abuja, Nigeria. Countries participating in these FRB initiatives were Armenia, Brazil, Cote d'Ivoire, Egypt, Ghana, Hong Kong, India, Kenya, Korea, Lebanon, Lesotho, Liechtenstein, Mexico, Mongolia, Nigeria, Pakistan, Singapore, Sri Lanka, Sudan, Uganda, and Zimbabwe.

## Department of Homeland Security

### ***Customs and Border Patrol (CBP)***

The Trade and Cargo Academy provided two hours of money laundering training to 69 graduates of Basic Import Specialist Training in calendar year 2018.

At the Border Patrol Academy, the Office of Chief Counsel taught a one-hour block on currency and monetary instrument reporting violations and unlicensed money transmitters.

CBP conducted a bulk cash smuggling program in Peru in December 2018.

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

#### **U.S. Immigration and Customs Enforcement**

In Fiscal Year 2018, the ICE Homeland Security Investigations Illicit Finance and Proceeds of Crime Unit (IFPCU) conducted AML trainings focused on typologies, methodologies, and approaches to combat illicit finance. IFPCU provided technical training and presentations to representatives from the following foreign law enforcement partners: Canada, Colombia, France, Germany, South Korea, Europol, INTERPOL, the World Customs Organization, the Five Eyes Law Enforcement Group, and the FATF. In an effort to support the anticorruption efforts of the Government of Ecuador, in December 2018, ICE provided anticorruption training to members of the Ecuadorian National Police, Attorney General's Office, and the Ecuadorian Customs Service.

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

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

ICE continues to expand the network of operational TTUs, which now includes Argentina, Australia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, France, Guatemala, Mexico, Panama, Paraguay, Peru, Philippines, UK, and Uruguay. The U.S. TTU is actively engaged with several countries in Asia and Southeast Asia regarding MOU discussions to establish a TTU.

## **Department of Justice**

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

The Office of Global Enforcement, Financial Investigations Section (OGF) at DEA Headquarters serves as DEA's lead body for coordinating DEA's efforts across domestic and foreign offices with respect to the targeting of the financial aspects of drug trafficking organizations (DTO). OGF works in conjunction with DEA field offices, foreign counterparts, and the interagency community to provide guidance and to support a variety of investigative tools, as well as to provide oversight on DEA's undercover financial investigations. OGF facilitates cooperation between countries, resulting in the identification and prosecution of money laundering organizations operating on behalf of DTOs, as well as the seizure of assets and denial of revenue around the world. OGF regularly briefs and educates United States government officials and diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narcoterrorism financing, international banking, offshore corporations, international wire transfer of funds, and financial investigative tools.

In conjunction with the DEA Office of International Training, OGF conducts training for DEA field offices, as well as foreign counterparts, in order to share strategic ideas and promote effective techniques in financial investigations. During 2018, OGF participated in and led a number of workshops and strategy sessions focused on money laundering trends, engagement with financial institutions, guidance and overview on undercover money laundering operations, virtual currency, and investigative case coordination.

DEA has prioritized a financial component in its investigations and has made this component a key element of Priority Target Operations, the Domestic Cartel Initiative, and Organized Crime Drug Enforcement Task Force investigations. DEA has dedicated financial investigative teams across its domestic offices as well as foreign-based DEA teams in Mexico, Peru, and Colombia that have conducted local training programs. For example, in 2018, DEA offered a one-day money laundering course for Ecuadorian National Police officers/commanders, prosecutors, and personnel from the FIU.

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

The Federal Bureau of Investigation (FBI) provides training and/or technical assistance to national law enforcement personnel globally. Training and technical assistance programs enhance host country law enforcement's capacity to investigate and prosecute narcotics-related money laundering crimes. The FBI has provided workshops introducing high-level money laundering techniques used by criminal and terrorist organizations. The training may focus on topics such as a foundational understanding of drug trafficking investigative and analytical techniques and tactics, money laundering and public corruption, or terrorism financing crimes and their relationship to drug trafficking as a support for terrorism activities.

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

With funding from INL, OPDAT provided training and mentoring to counterparts throughout the world to combat money laundering consistent with international standards and in furtherance of U.S. national security.

### **Africa**

OPDAT Ghana, in coordination with the FBI, provided regular money laundering and asset forfeiture training and mentoring to investigators and prosecutors. This engagement led to investigations and prosecutions of cases with U.S. victims, including a successful extradition to the United States of the perpetrators in a major fraud case. OPDAT, in coordination with DHS, assisted The Gambia regarding financial investigations, including money laundering, to retrieve money illicitly laundered by former President Yahya Jammeh, who fled the country in 2017 after 22 years in power.

### **Asia and the Pacific**

OPDAT conducted AML training programs in Bangladesh, Indonesia, Malaysia, Nepal, and Timor-Leste. OPDAT Philippines supported the continuing rollout of its 2012 Amendment to the Anti-Money Laundering Act by conducting four AML programs. OPDAT Burma conducted an AML workshop as part of its nationwide Transnational Crime Program.

### **Europe**

Through regional and bilateral workshops, OPDAT developed the forensic accounting skills of police and prosecutors throughout the Western Balkans, including Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. Additionally, OPDAT provided skills development training to prosecutors, investigators, and FIU officials in Romania and Latvia on net worth analysis and international legal cooperation in financial investigations.

### **Western Hemisphere**

OPDAT Mexico continued to build Mexico's capacity to combat money laundering and seize assets for forfeiture through specialized programs as well as technical advice on active money laundering and asset forfeiture matters. OPDAT Honduras helped counterparts develop and implement an AML regime compliant with international standards. OPDAT Guatemala provided regular money laundering and asset forfeiture assistance and mentoring to prosecutors. In El Salvador, OPDAT provided technical assistance to money laundering and asset forfeiture units as well as case-based mentoring to investigators and prosecutors. OPDAT's Judicial Studies Institute, based in Puerto Rico, offered the second iteration of the Special Course on Asset Forfeiture attended by judges from Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Panama, and Peru.

## Department of State

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

INL training programs focus on both bilateral and multilateral efforts. INL and its partners design programs and provide training and technical assistance to countries that demonstrate the political will to develop viable AML regimes. INL funds many of the regional training and technical assistance programs offered by U.S. law enforcement agencies, including those provided at the INL-managed International Law Enforcement Academies.

Examples of INL sponsored programs include:

**Afghanistan:** An Afghan delegation participated in an information exchange tour with Sri Lankan counterparts in Colombo to build Afghan and Sri Lankan capacity in financial investigations of corruption, narcotrafficking, and terrorism. The Afghan delegation included senior-level prosecutors from the Attorney General's Office (AGO) and FIU officials. The three-day, INL-funded event facilitated a series of expert-level conversations about comparative issues in AML/CFT enforcement. The information exchange involved fundamental technical discussions that could result in productive changes in each country. Examples include improved prosecutorial coordination, enhanced investigative techniques, and increased use/protection of FIU products. The operational and theoretical themes raised in the workshop were comprehensive and underscored the complex issues each country faces. INL and DOJ are assisting the AGO and FIU to continue building their capacities to address these issues within the Afghan system.

**Eastern Caribbean:** The Saint Vincent and the Grenadines High Court granted a recovery order forfeiting approximately U.S. \$33,000 (\$100,000 Eastern Caribbean dollars) in a fraud and money laundering case. The recovery order is the first granted in the Eastern Caribbean under the Proceeds of Crime Act (POCA), and sets the stage for further civil recovery actions against assets belonging to serious organized criminals. This order is the culmination of more than six years of INL-assisted reform, technical assistance, and training efforts in the Eastern Caribbean led by INL's Caribbean Financial Crimes Advisor. INL assisted in the drafting and passage of the POCA; helped establish a Civil Asset Recovery Division (CARD) within the St. Vincent and the Grenadines FIU; provided training for investigators, attorneys, and the judiciary; and mentored the CARD throughout this case. As mandated by the POCA, the government will use recovered funds to support criminal justice agencies in Saint Vincent and the Grenadines.

**Honduras:** INL Tax Crimes Advisors deliver regular workshops on best practices for money laundering and terrorist financing investigations, in coordination with the Tax Administration Service's Interagency Commission for the Prevention of Money Laundering and Terrorist Financing (SAR-CIPLAFT). Some of the topics include: International Perspective of AML Systems; PEPs; Money Laundering Typologies, Investigations, and Sanctions; Tax Liens on Seized Assets; and SAR Requirements. The training sessions include practical case scenarios



and group discussions to reinforce the importance of financial and money laundering investigations. A total of 60 Tax Administration Service officials (tax specialists, attorneys, appeals specialists, and the General Secretary) participated in the training in 2018.

**Kazakhstan:** A pool of certified financial investigations instructors regularly deliver training programs to law enforcement and state officials through the INL-funded National Financial Investigations and Asset Recovery Program.

**Laos:** The U.S. Embassy in Laos and international partners have ongoing projects aimed at enhancing Laos' ability to prosecute money laundering cases and to build the capacity of law enforcement officials.

**Latvia:** INL and DOJ have partnered to support Latvian government efforts to reform its AML/CFT regime with a focus on enforcement efforts. In 2018, DOJ conducted two workshops for the Prosecutor General's Office, FIU, judges, and law enforcement institutions focused on prosecuting and investigation complex financial crimes.

**Mexico:** Under the North American Drug Dialogue, INL supported FBI training on money laundering threats from the Dark Web and virtual currencies presented to the Mexican Attorney General's Office (PGR). INL developed an AML and asset forfeiture course, which it launched in 2018. Trainees included members of PGR, the Mexican Tax Administration Service, the National Commission for the Retirement Savings System, and the Mexican Navy.

**Serbia:** The U.S. Embassy in Serbia provided training and workshops to prosecutors and law enforcement officials that supported the significantly increased number of convictions in 2018.

## **Department of the Treasury**

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

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

IRS-CI participates in training at the INL-funded ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; Accra, Ghana; and San Salvador, El Salvador. Programs include Financial Investigative Techniques training, Financial Investigations for Public Corruption, and support for the Law Enforcement Leadership Development courses.

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

The U.S. Department of Treasury's OCC charters, regulates, and supervises all national banks and federal savings associations in the U.S. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, as well as consumer protection laws and implementing regulations. The OCC sponsored several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2018 AML School was attended by foreign supervisors from Afghanistan, Aruba, Canada, Eastern Caribbean, Hong Kong, India, Israel, Latvia, Malaysia, Netherlands, Philippines, South Africa, and South Korea. In addition, the OCC sponsored an AML/CFT school for the Association of Supervisors of the Americas in the Bahamas attended by foreign supervisors from Aruba, Bahamas, Barbados, Costa Rica, Curacao, El Salvador, Guatemala, Panama, Suriname, Trinidad and Tobago, Turks and Caicos, and Uruguay.

OCC officials met with representatives from foreign law enforcement authorities, FIUs, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions. Additionally, OCC officials, through the U.S. Department of Treasury's OTA, provided support and direct outreach to one country to help evaluate the country's AML regime.

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

Each of OTA's five teams – Revenue Policy and Administration, Budget and Financial Accountability, Government Debt and Infrastructure Finance, Banking and Financial Services,

and Economic Crimes – focuses on particular areas to establish strong financial sectors and sound public financial management in developing and transition countries. OTA works side-by-side with counterparts through mentoring and on-the-job training, accomplished through co-location at a relevant government agency. OTA's activities are funded by a direct appropriation from the U.S. Congress as well as transfers from other U.S. agencies, notably the DOS and USAID.

The OTA Economic Crimes Team (ECT) provides technical assistance to help foreign governments develop and implement internationally compliant AML/CFT regimes. In this context, the ECT also addresses underlying predicate crimes, including corruption and organized crime. ECT engagements are predicated on express requests from foreign government counterparts and the results of an onsite assessment by ECT management, which considers the willingness of the counterparts to engage in an active partnership with the ECT to address recognized deficiencies.

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

The ECT delivered technical assistance to Argentina, Belize, Burma, Cabo Verde, Dominican Republic, the Eastern Caribbean Central Bank, Iraq, Liberia, Mongolia, Paraguay, Peru, Sierra Leone, Sri Lanka, St. Vincent and the Grenadines, Trinidad and Tobago, and Uruguay.

## Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2018, that jurisdictions have, or have not, taken to combat drug money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. **For those questions relating to legislative or regulatory issues, "Y" is meant to indicate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.**

### Glossary of Terms

- “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to illicit proceeds generated by 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 (KYC/CDD) programs for their customers or clientele.
- “Report Suspicious Transactions”: By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions (STRs) to designated authorities. On the Comparative Table the letter “Y” signifies mandatory reporting; “V” signifies reporting is not required but rather is voluntary or optional; “N” signifies no reporting regime.
- “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.
- “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.
- “Financial Intelligence Unit”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter drug money laundering. An asterisk (\*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.
- “International Law Enforcement Cooperation”: No known legal impediments to international cooperation exist in current law. Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request.
- “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by drug money laundering activities.

- “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- “Information Exchange Agreements with Non-U.S. Governments”: The country/jurisdiction is a member of the Egmont Group of FIUs or has in place treaties, MOUs, or other agreements with other governments to share information related to drug-related money laundering.
- “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 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.
- “Financial Institutions Transact in Proceeds from International Drug Trafficking That Significantly Affects the U.S.”: The jurisdiction’s financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency; currency derived from illegal drug sales in the U.S.; or illegal drug sales that otherwise significantly affect the United States.

## Comparative Table

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

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

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

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S. govts</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.</b>
<b>Govt/Jurisdiction</b>														
<b>Bolivia</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>Bosnia &amp; Herzegovina</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Brazil</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>British Virgin Islands<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Burma</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Cabo Verde</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Canada</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Cayman Islands<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>China</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Colombia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Costa Rica</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Cuba</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Curacao<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Cyprus<sup>4</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

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

<sup>4</sup>

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

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



Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
<b>Govt/Jurisdiction</b>														
<b>Kenya</b>	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y
<b>Laos</b>	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Macau<sup>5</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Mexico</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Morocco</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mozambique</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Netherlands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Nicaragua</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N
<b>Nigeria</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Pakistan</b>	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y
<b>Panama</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Paraguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Peru</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Philippines</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Russia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>St. Kitts and Nevis</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Lucia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Vincent and the Grenadines</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
<b>Govt/Jurisdiction</b>														
<b>Senegal</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Serbia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Sint Maarten<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Spain</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Suriname</b>	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	N	N
<b>Tajikistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Tanzania</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Thailand</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Trinidad and Tobago</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkey</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>United Arab Emirates</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>United Kingdom</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y

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

# Afghanistan

## OVERVIEW

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

## VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The illicit narcotics trade, corruption, illegal mineral extraction, and fraud are major sources of illicit revenue. Afghanistan's underdeveloped banking sector faces significant enforcement and regulatory challenges. Traditional payment systems, particularly hawala networks, provide a range of financial and non-financial business services in local, regional, and international markets and are used to circumvent government oversight. The Afghanistan-Pakistan and Afghanistan-Iran borders are porous, enabling smugglers to cross with relative ease.

## KEY AML LAWS AND REGULATIONS

Afghanistan has a comprehensive AML law. Significant provisions in Afghanistan's AML laws include an adequate legal basis to criminalize money laundering; KYC and STR provisions; establishment of the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU; and provisions providing the authority to confiscate funds or property, to dispose of such property, and to hold seized assets in an asset recovery/sharing fund. Fit and Proper Regulations help ensure financial institutions are well managed and persons who own or control them are competent and meet certain criteria. Cash Courier Regulations establish a cross-border currency reporting requirement and ensure that seizure or restraint of funds is authorized when money laundering is suspected.

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

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

## AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Afghanistan should fully apply market manipulation and counterfeiting as predicates for money laundering and strengthen supervision of financial institutions and DNFBPs, to ensure their compliance with AML regulations.

While FinTRACA has made progress in regulating and requiring reporting from hawalas, regulatory bodies should continue to seek to expand supervision and implementation of the MSB/hawala licensing program. The central bank should continue to enhance its AML/CFT supervision capabilities for bank and non-bank financial institutions. The central bank should improve its outreach program to hawala operators about licensing and reporting requirements.

Despite their status as covered entities under the AML laws, precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised for AML compliance. Afghanistan should be supervising these sectors consistently with their AML risk profile and national legislation.

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

The poor security environment limits central bank supervision and FIU regulation of MSBs and money exchanges. Regulators and enforcement officers need adequate security and resources to supervise the financial sector and investigate financial crimes.

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, lack of full independence, and poor infrastructure.

Many hawalas use the formal banking sector for day-to-day operations and to settle balances with other hawalas both domestically and abroad. However, hawalas generally fail to file STRs because they believe it is the responsibility of the bank, an issue FinTRACA asserts it is addressing. Insurance companies and securities dealers are also required to file STRs, but the government does not fully enforce this requirement.

When working with the AGO, FinTRACA often faces administrative hurdles regarding prosecution, some of them likely due to corruption, which limit further cooperation. The AGO's management team, seated in the second half of 2016, has yet to effectively grapple with weak prosecutorial capacity to pursue money laundering cases and asset seizures. Furthermore, the Afghan government has yet to implement fully a recovery mechanism for the value of assets seized, and, therefore, no entity, including the police and courts, has responsibility for post-conviction asset recovery or for the use or equitable sharing of the assets.

In 2018, requests for FinTRACA products increased 30 percent over 2017, and compliance fines surpassed the 2017 total. FinTRACA also continues to conduct surveys of hawalas, a process that began in 2017. FinTRACA, along with interagency counterparts, looks for unregistered hawalas and reviews the books of registered hawalas for evidence of AML compliance. FinTRACA continues to create and propose new MOUs with partner Afghan government agencies to help strengthen the country's AML/CFT regime.

Kabul International Airport lacks effective currency controls for all passengers and cargo. Afghanistan should strengthen inspection controls and enforcement of the currency declaration regime at airports.

Law enforcement officers, prosecutors, and judges need continued training on effective, lawful asset seizure. The GNU should continue to improve seizure and confiscation procedures in cases involving narcotics and drug trafficking and should work with international partners to implement procedures for money laundering seizures.

## **Albania**

### **OVERVIEW**

The Government of Albania made no significant progress toward thwarting money laundering and financial crimes in 2018. Albania remains vulnerable to money laundering due to corruption, growing organized crime networks, and weak legal and government institutions. The country has a large cash economy and informal sector, with significant money inflows from abroad in the form of remittances. Major proceeds-generating crimes in Albania include drug trafficking, tax evasion, and smuggling. Other significant predicates include counterfeiting, arms smuggling, and human trafficking. Smuggling is facilitated by weak border controls and customs enforcement. Albania serves as a base of operations for organized crime organizations operating in the United States, Europe, the Middle East, and South America. Recent justice reforms, vetting of judges and prosecutors for corruption and ties to organized crime, and the creation of a police task force targeting organized crime activities have created a positive trajectory for Albania to address money laundering and financial crimes. These efforts, however, are still challenged by pervasive corruption.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Narcotics trafficking or smuggling and illegal business dealings of organized crime gangs are the major sources of illicit funds. Albania's proximity to Western Europe, its location along heroin smuggling routes, and the presence of Albanian organized crime in Western Europe and South America have elevated the country's risk for money laundering.

Real estate, business development projects, and gaming are among the most prevalent methods of hiding illicit proceeds. In 2018, Albania passed a law to ban sports betting, online casinos, and bookmakers and to limit brick and mortar casinos. This legal change is expected to restrict criminals' ability to hide illicit funds.

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

There was no new AML legislation in 2018. Albania has KYC and STR requirements in place. In 2016 and 2017, the Albanian Parliament passed several significant constitutional and legal reforms aimed at tackling corruption and organized crime, including reforms of the justice system, vetting of judges and prosecutors for unexplained wealth, and a revamped law governing

asset forfeiture. Nearly half of the vetted judges and prosecutors to date have failed vetting as a result of unexplained wealth. The Albanian State Police has a dedicated Economic Crime Unit tasked with AML efforts.

Albanian law requires annual asset disclosure by public officials. The law was strengthened in 2017 to require officials to declare preferential treatment and beneficial ownership of assets. Provisions prohibiting officials from keeping substantial cash outside of the banking system also exist.

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

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The substantial criminal code reforms of 2016 and 2017 are meant to build a more effective system, but implementation of these reforms is still ongoing. Albanian courts often refuse to convict for money laundering absent a conviction for a predicate offense, even though this is not specifically required by law.

In 2017, Albanian law was amended to improve non-conviction-based forfeiture and empower prosecutors to pursue asset forfeiture. Despite these legal changes, there has not been a significant increase in forfeiture. A new policy, which took effect in 2018, requires all prosecutors to conduct financial investigations and confiscate criminal assets. If implemented properly, the legal and policy changes should result in better outcomes in money laundering and financial crime cases.

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

Albania has a substantial black market for smuggled goods that is facilitated by weak border controls and customs enforcement. Albania must implement the laws effectively and continue to develop the capacity of its police and prosecutors to focus on corruption, money laundering, and economic crimes.

Despite a sizeable number of money laundering investigations in recent years, the number of related prosecutions remains low. The most recent statistics from the Prosecutor General's Office, reflecting 2017 data, list a total of 320 proceedings for money laundering and related crimes, with 52 defendants sent to trial and 35 convicted. A specialized prosecution office and investigative agency to counter organized crime and corruption is expected to be operational in 2019.

The government has taken steps to combat official corruption. The Serious Crimes Prosecution Office convicted four judges, including a Supreme Court judge, while four other judges still await trial. In the 2017 case of the Supreme Court judge, prosecutors seized approximately

\$57,000 (€50,000) from a bank account using, for the first time, Albania's legal provision allowing the confiscation of assets of corresponding value equivalent to criminal proceeds. In other cases, a prosecutor, a prison official, and a mayor have been convicted of corruption offenses. In 2018, prosecutors sequestered land belonging to the former prosecutor general, pending an investigation into suspected criminal activity. In the context of ongoing EU accession efforts, political will to investigate high-level officials may be strengthening.

## **Algeria**

### **OVERVIEW**

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

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

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The restricted convertibility of the Algerian dinar enables the Central Bank of Algeria to monitor all international financial operations carried out by banking institutions. Money laundering in Algeria occurs primarily outside of the formal financial system through, for example, abuse of real estate transactions and commercial invoice fraud. Algerian authorities are increasingly concerned by cases of customs fraud, use of offshore havens for tax evasion or to hide stolen assets, and incidences of TBML. The sprawl of the informal economy and extensive use of cash heighten the risk of financial crimes.

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

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

There were no legislative changes noted in 2018. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive

Decree no. 13-157 on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153, fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02, establishing rules for the application of the penal code to AML/CFT. AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding \$1,000. In addition, all payments for certain purchases in excess of approximately \$44,200 for real estate or approximately \$8,800 for goods and services must be completed via the banking system. Noncompliance with these provisions could result in sanctions against the individual and/or financial institution.

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

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Challenges remain in implementation of Algeria's AML regime. A self-analysis by the CTRF continues to identify a need to increase the quality of banks' reporting, although CTRF has noted an improvement in the last two years. While the CTRF has provided some information on the number of cases it is processing, additional information would be needed to evaluate implementation.

Only foreign PEPs are covered under enhanced due diligence requirements.

No information is available on money laundering prosecutions or convictions.

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

The CTRF actively analyzes STRs, compiles and disseminates AML-related information to banks, and engages in some level of quantitative and qualitative self-analysis. A CTRF report for the first half of 2018 indicated that STR filings were up slightly from 2017 after a sharp decline from 2016. Officials at the CTRF explained the earlier decline was due to the implementation of reforms in reporting procedures at banks as well as newly applied technology allowing banks to more efficiently determine whether transactions may be related to money laundering.

## **Antigua and Barbuda**

### **OVERVIEW**

Antigua and Barbuda has improved its AML regime. The country finalized a National Risk



Assessment (NRA) in 2018, but has yet to implement all of the recommendations. As of June 2017, the financial sector includes six domestic banks, 12 international banks (offshore banks), 20 insurance companies, one international insurance company, four MSBs, and six credit unions. As of December 2016, the offshore sector hosted 5,102 IBCs, of which 3,635 were active.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Antigua and Barbuda reports the major sources of illicit funds as corruption, drug trafficking, and fraud. The majority of corruption cases addressed by law enforcement are responsive to Letters of Request received from foreign jurisdictions. Front operations, wire transfers, and structuring deposits are the main means of money laundering.

Antigua and Barbuda has one small FTZ that authorities do not believe is involved in money laundering activity. AML experts identify international banks, MSBs, and the insurance sector as the most vulnerable sectors. In October 2018, the government reported a decline in international gaming companies from four to three, the number of active IBCs is less than 1,300, and international banks have declined to nine. The country reports that international banks contribute less than 0.5 percent of GDP.

Following legislative changes in 2017, corporate management and trust service providers are now submitting to supervisors annual attestations of changes to beneficial ownership, including ultimate beneficial owners (natural persons) of IBCs.

The Citizenship by Investment (CBI) Unit receives citizenship applications through local licensed agents. Agents must be citizens of Antigua and Barbuda, resident in-country for at least seven years, and hold a place of business in Antigua and Barbuda. The Money Laundering (Prevention) Act 1996 (MLPA) covers agents as financial institutions; therefore, agents are subject to AML obligations. Authorized representatives, based locally and abroad, market the CBI program and may be the first point of contact for applicants. Authorized representatives do not have the same citizenship and residency requirements as authorized agents.

Applicants for citizenship undergo a vetting process, including due diligence background checks. Citizens of Afghanistan, Iraq, Iran, Libya, North Korea, Sudan, and Yemen are not eligible unless they lawfully demonstrate their possession of permanent residency for at least ten years in the United Kingdom, the United States, Canada, the United Arab Emirates, New Zealand, Saudi Arabia, or Australia. Applicants must also demonstrate they no longer maintain economic ties with the restricted country.

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

The MLPA, the Money Laundering (Prevention) Regulations 2017, and the Money Laundering & Financing of Terrorism Guidelines form the legal AML framework of the country. This framework imposes obligations on financial institutions and DNFBPs to create AML policies and internal controls; to implement KYC, record keeping, and STR reporting procedures; and to develop staff vetting and training programs. The statutes also create the framework for law enforcement measures to include investigations, seizures, forfeitures, and confiscations. The

country has enhanced due diligence for PEPs.

In 2018, the MLPA was amended to appoint the Eastern Caribbean Central Bank as Supervisory Authority for all financial institutions licensed under the Banking Act.

Antigua and Barbuda has a MLAT and a Tax Information Exchange Agreement with the United States.

Antigua and Barbuda is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/4th-round-meal-reports>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

AML legislation covers legal persons, but the penalties for noncompliance have not been strong deterrents. Amending the legislation to strengthen the sanctions for noncompliance would deter illegal activity.

The supervision of DNFBPs is inconsistent and not risk-based. Except for procedures during the initial licensing of DNFBPs, there are no formal fit and proper arrangements to prevent criminals from holding a management function in certain DNFBPs. Furthermore, not all DNFBPs have been applying the enhanced due diligence criteria for PEPs. The country created a training series for DNFBPs regarding this issue.

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

The government has developed a national action plan to address the issues noted in the NRA. Officials report the National Anti-Money Laundering Oversight Committee and other relevant agencies are also amending their policies and procedures accordingly.

There are specialized units with primary roles for the investigation of money laundering, financial crimes, and specific predicate offenses for money laundering. For the period of 2017-2018, there were 45 money laundering cases. Four resulted in convictions and 41 are still in the prosecution stage. Currently, there are 12 ongoing investigations, four of which involve foreign jurisdictions. Communication between intelligence agencies, the FIU, and law enforcement is being improved through increased meetings at the coordinating and operational levels.

The country is exercising its powers under the Proceeds of Crime Act. Authorities have been actively and successfully freezing and forfeiting assets over the last several years.

Antigua and Barbuda implemented a mandatory risk-based approach to AML for financial institutions; however, many DNFBPs continue to be subject to rules-based supervision.

The police force uses polygraphing for all new recruits and senior staff.

# Argentina

## **OVERVIEW**

Argentina faces many of the same challenges confronted throughout the region, including stemming the tide of illicit proceeds from narcotics trafficking and public corruption. The Tri-Border Area (TBA) shared with Brazil and Paraguay is one of the principal routes into Argentina for multi-billion dollar counterfeiting, drug trafficking, TBML, and other smuggling offenses. The terrorist organization Hizballah has significant financing operations in the TBA. Although moving in the right direction, Argentina has important progress to make in implementing adequate mechanisms to effectively prevent, detect, investigate, and prosecute money laundering and related crimes.

Under President Macri, Argentina has taken significant steps to strengthen its AML/CFT regime. In 2018, the government advanced several high-profile anti-corruption prosecutions that have boosted public confidence in AML/CFT enforcement in the country. Despite these positive steps, limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to significantly reduce the flow of illicit proceeds and combat the predicate offenses that generate them.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Contraband smuggling, including narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is not only a transit country but also a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant amounts of revenue. TBML schemes also have been detected.

Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, both state and private, MVTs businesses, exchange houses, real estate, and gaming are particularly susceptible. Unregulated exchange houses still operate, although Argentina abolished its official exchange rate, making the unofficial rate offered less attractive. Argentina also lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash. Its cash-intensive economy and large informal sector create additional opportunities for criminals to inject illicit proceeds. Criminal operations often utilize offshore jurisdictions and establish legal entities in other countries to launder illicit proceeds internationally.

## **KEY AML LAWS AND REGULATIONS**

In 2018, under a new law, the government significantly increased the use of cooperating witnesses in anticorruption cases. This approach helped accelerate the pace of prosecutions in one of the country's largest-ever corruption investigations. Argentina has negotiated tax information exchange agreements with several countries, including the United States, which facilitates increased transparency of offshore assets held by Argentine nationals.

Foreign and domestic PEPs are subject to enhanced due diligence.

Argentina is a member of the FATF and of the GAFILAT, a FATF-style regional body. Its most recent MER is available, in Spanish only, at: <http://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/argentina/evaluaciones-mtuas/8-argentina-3a-ronda-2010>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Despite recent reforms and clear political will to effect change, effective implementation of the AML regime continues to be a significant challenge for the government. Argentina is in the process of conducting separate national risk assessments for money laundering and terrorist financing, but has not completed the exercises yet. No national AML/CFT strategy currently exists. Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML compliance. Full implementation of the CTR requirement and use of a risk-based approach will likely take years.

Argentina lacks an adequate legal framework to control contraband and bulk cash smuggling. It also lacks a full legal framework to seize, manage, and forfeit illicit assets. Bulk cash smuggling presents a significant challenge given inadequate border controls and lack of resources for outbound enforcement of customs laws.

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

Since December 2015, Argentina has made a strengthened and professional FIU central to its AML/CFT strategy, and the FIU made significant upgrades to improve its operational effectiveness. The FIU has an outsized role in the AML regime, largely in response to both a lack of law enforcement capacity and an absence of clear AML strategies by other stakeholders. The FIU participates as a party to criminal cases, strengthening otherwise weak interagency coordination on AML cases. The compartmentalization of information and inadequate coordination between the FIU and security forces present a significant challenge.

Argentina and the United States have a MLAT in place. The United States and Argentina participate in the Argentina-U.S. Dialogue on Illicit Finance (AUDIF), a bilateral initiative to identify shared money laundering and terror financing threats and vulnerabilities and implement counter-strategies. In 2018, the FIU took decisive action against a transnational criminal organization operating in the TBA, which, among other things, is suspected of financing Hizballah, smuggling, and laundering money through a TBA casino. The United States provided assistance to the FIU, as the target entity, Clan Barakat, is listed by the U.S. Treasury Department's Office of Foreign Assets Control as a Specially Designated Global Terrorist.

Argentina has implemented reforms to allow enhanced use of informants, undercover officers, and cooperating witnesses in drug trafficking investigations. Widespread use of these measures has not yet occurred, partly because investigators, prosecutors, and judges are inexperienced in their use.

Notwithstanding several high-profile corruption-related prosecutions in 2018, regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, has been limited. Systemic deficiencies in Argentina's criminal justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, and inexperience among judges and prosecutors in investigating financial crimes.

## **Armenia**

### **OVERVIEW**

Armenia is gradually strengthening its money laundering legislation to match international standards, but deficiencies remain. There were four money laundering convictions in 2017. Money laundering crimes in Armenia likely continue to go unreported and undetected.

The April-May 2018 "Velvet Revolution" brought a new government to power that has made fighting corruption, including money laundering, a top reform priority. The government has discussed with U.S. law enforcement how to improve legislation to facilitate investigations into money laundering and other forms of financial crime.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

The new government has been outspoken about fighting corruption and narcotics trafficking, although smuggling, the shadow economy, significant inflows of remittances from abroad, the hiding of assets within the real estate sector, and the use of cash remain widespread and constitute vulnerabilities. Casinos are legal and regulated by the Ministry of Finance.

Armenia has produced relatively few criminal convictions pertaining to money laundering, which is a function of broad weaknesses in the rule of law and judicial independence.

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

Article 190 of Armenia's Criminal Code criminalizes money laundering. The Central Bank of Armenia regulates the financial sector, including the banks that account for about 90 percent of all financial system assets. The financial sector is required to implement KYC provisions and report suspicious transactions to the Financial Monitoring Center (FMC), Armenia's FIU.

Amendments in 2018 to AML legislation strengthen Armenia's sanctions regime with regard to proliferation of weapons of mass destruction. Armenia has an interagency action plan that reassesses major categories of threats and vulnerabilities.

Requirements concerning KYC, STRs, and enhanced due diligence for PEPs are stipulated in Armenia's AML/CFT Law and the Regulation on Minimum Requirements to Reporting Entities. The identity of beneficial owners must be disclosed to the State Register.

There is no mutual legal assistance treaty with the United States.

Armenia is a member of the MONEYVAL, a FATF-style regional body. Its most recent MER is available at: [http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL\(2015\)34\\_5thR\\_MER\\_Armenia.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL(2015)34_5thR_MER_Armenia.pdf).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Legal persons are not subject to criminal penalties for money laundering.

Asset forfeiture is not normally included as part of money laundering investigations and prosecutions. There is no single authority responsible for administering seized assets. Non-conviction based forfeiture has been discussed by the government, which concluded this type of confiscation would contradict the fundamental principles of Armenian law.

DNFBPs are not adequately supervised and compliance with CDD, record keeping and reporting measures is haphazard. Domestic PEPs are not subject to enhanced due diligence.

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

Armenian courts handed down four convictions in 2017 that involved elements of money laundering, including one conviction for a stand-alone money laundering offense. The FMC stated in October 2018 that law enforcement efforts involving elements of money laundering have substantially intensified since the May change of government.

As part of these efforts to prosecute money laundering-related crimes, Armenia should provide criminal penalties for legal persons involved in money laundering; enhance the capacities and independence of enforcement authorities to effectively identify, trace, and seize assets at all stages of investigations; criminalize tipping off of individuals under investigation; ensure all reporting sectors provide mandated financial intelligence reports; criminalize misrepresentation; and create vetting mechanisms to prevent corrupt criminal actors from serving as owners or managers of DNFBPs. Armenian authorities should also review informal transfer systems from the large Armenian migrant worker population in Russia that may pose money laundering vulnerabilities.

## Aruba

### OVERVIEW

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

Aruba is an autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions. In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and sharing of information in the area of criminal investigation and law enforcement. One priority area is interdicting money laundering operations. The MOU activities are ongoing.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

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

### KEY AML LAWS AND REGULATIONS

Fraud is a crime and counterfeiting and piracy of products are predicate offenses to money laundering. Licensing is now required for a variety of businesses. KYC laws cover banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, car dealers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects.

The Kingdom may extend international conventions to the autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become law. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they

have autonomy, as long as these MOUs do not infringe on the foreign policy of the Kingdom as a whole.

The 2004 U.S.-Netherlands MLAT, incorporating specific U.S.-EU provisions, was not extended to Aruba.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

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

Aruba is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Aruba does not have a STR system but rather a broader unusual transaction reporting system. Service providers are required to report large cash transactions of \$14,000 or more, wire transactions of \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

The 1983 MLAT between the Kingdom and the United States applies to Aruba and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. Aruba has adopted the Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets, which was signed by the Kingdom in 1994.

The State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) includes rules for the identification and verification of clients and the reporting of unusual transactions to prevent and combat money laundering when providing certain services. Non-regulated financial service providers (including investment brokers and factoring and leasing companies) and DNFBPs must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba.

In the reporting period, there were numerous investigations and prosecutions for money laundering, including an ongoing investigation into a former politician. An Aruban court sentenced four suspects to prison for illegal underground banking, money laundering, cash transfers, and for not complying with the KYC rule. The judge ruled the men used the underground bank as a conduit for money laundering by criminal organizations. The men transferred money from Aruba to China and from Aruba to Sint Maarten and Anguilla. The main suspect also coordinated money transfers for people from Suriname, Colombia, and Venezuela to China and Aruba. An Aruban official residing in Florida pleaded guilty to money laundering charges in connection with his role in a scheme to arrange and receive corrupt



payments to influence the awarding of contracts with an Aruban state-owned telecommunications corporation.

The FIU held awareness-raising events for regulated entities.

## **Azerbaijan**

### **OVERVIEW**

Azerbaijan is both a transit point between the East and West, given its geographic location, and a conduit for illicit funding, given its economic difficulties. The majority of foreign investment and international trade in Azerbaijan continues to be in the energy sector. Azerbaijan's government is working to diversify the economy away from energy by prioritizing investments in agriculture, tourism, trade logistics, telecommunications, and information technology. The economic realities of a weak currency and a poorly supervised financial sector, coupled with Azerbaijan's physical location between Iran and Russia, create an environment conducive to the transit of illicit funds.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The major source of criminal proceeds in Azerbaijan continues to be public corruption across all sectors and agencies within the government. In addition, the Afghan drug trade generates significant illicit funds, some of which transit Azerbaijan. Robbery, tax evasion, smuggling, trafficking, and organized crime also generate illicit funds. Money laundering likely occurs in the financial sector, including in non-bank financial entities and alternative remittance systems. Azerbaijan also possesses a significant black market for smuggled goods for sale domestically and is a transit point for smuggled cargo.

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

The key Azerbaijani AML law is the 2009 "Law on the Prevention of Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism" (AML/CFT Law). Subsequently in 2009, in order to bring existing legislation into compliance with this law, the "Law of the Republic of Azerbaijan on Changes and Amendments to Some Legislative Acts of the Republic of Azerbaijan in Connection with Implementation of the AML/CFT Law" was adopted. In 2010, the "Law of the Republic of Azerbaijan on Amendments to Individual Legislative Acts of the Republic of Azerbaijan to Enhance the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism" was adopted, amending the Criminal Code and the AML/CFT Law. Amendments to the AML/CFT Law in July 2018 name the Financial Monitoring Service (FMS), the FIU, as the supervisor of pawnshops and persons providing intermediary services for the purchase and sale of real estate.

The FMS was established as a new independent FIU on May 25, 2018. The FIU structure was further clarified in July 2018 via amendments to Azerbaijan's AML/CFT Law. Previously, FMS had been part of the Financial Markets Supervisory Authority (FMSA).

In 2018, the new FMS succeeded its predecessor as a member of the Egmont Group. The FMS and the FIUs of Moldova, Belarus, Turkey, Macedonia, Russia, and Iran have signed AML/CFT information sharing agreements. Azerbaijan is in the process of developing MOUs for AML cooperation between the FMS and the FIUs of several other countries.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Legal persons are not criminally liable for money laundering, and the acquisition, possession, and use of property obtained with illicit funds is criminalized only for “significant amounts.” While Azerbaijan’s regulators are working to address recognized deficiencies, at present, banks are not legislatively required to share customer information with correspondent banks, and sanctions pertaining to financial institutions are not effective, proportionate, or dissuasive. Furthermore, loopholes exist inhibiting proper identification of PEPs.

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

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

In November 2016, the president signed a decree approving the Action Plan for 2017–2019 on the “Fight against Legalization of Criminally Obtained Funds and Other Properties and Financing of Terrorism.” Azerbaijan’s FMS subsequently placed an affirmative obligation on financial institutions to report money laundering activities, including designation and placement of an offending party on the FMS website as a “designated person.” As a result of this designation, FMS, through the relevant government ministries, is able to freeze the assets of the named individual/entity.

Though implementing ministries are required to submit annual reports and action plans to the Cabinet of Ministers and the Commission on Combating Corruption, these reports are not publicly available.

## **Bahamas**

### **OVERVIEW**

Due to its proximity to Florida, the Bahamas remains a transit point for trafficking in illegal drugs, firearms, and persons to and from the United States. Money may be laundered through purchase of real estate and precious metals and stones. In addition, as an international financial

center, the country is vulnerable to money laundering through financial service companies. In 2018, the Bahamas took significant steps toward strengthening identified AML deficiencies.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The Bahamas' proximity to Florida makes the country a transit point for drugs heading to the United States. Proceeds from facilitating drug transit, particularly bulk cash payments to local individuals and criminal gangs, are a key concern. Other sources of laundered proceeds include firearms trafficking, human smuggling and trafficking, and fraudulent commercial transactions, including tax fraud.

The Bahamas is an international business and financial center with an open economy. The high volume of large, cross-border asset transactions enhances the risk of money laundering through private banks, trust services, insurance companies, and corporate service providers. Other money laundering methodologies may include purchase of real estate and precious metals and stones.

Current information on the extent of offshore activities is not available. At yearend 2014, total assets of the banking industry were U.S. \$279.2 billion, approximately 44 times the country's GDP, with 96 percent of assets in the offshore sector. There are 67 investment fund administrators holding U.S. \$134.6 billion under administration and 849 investment funds. Additionally, there were 105 private trust companies, 310 financial corporate service providers, 694 registered foundations and 173,907 registered IBCs. IBCs can be formed in one to two days. The Bahamas does not maintain official records of company beneficial ownership, or require resident paying agents to tell the domestic tax authorities about payments to non-residents.

The Bahamas has three large casinos, including the Caribbean's largest casino (the U.S. \$3.5 billion Chinese Export-Import Bank-funded Baha Mar megaresort). Casino gaming is restricted to foreign visitors. Bahamian citizens and permanent residents may engage in pari-mutuel betting on U.S. lotteries and sporting events through "web shops," which are licensed by the Gaming Board and are subject to AML and STR requirements. The Gaming Board retains the ability to observe operations, including account transactions, in real time from remote locations.

The country's only FTZ is the city of Freeport, Grand Bahama, administered and managed by a private entity, the Grand Bahama Port Authority. The FTZ serves primarily as a manufacturing and transshipment hub with stringent container screening measures.

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

In 2018, the Bahamas took significant steps to strengthen its AML regime, notably by passing an enhanced Financial Transactions Reporting Act strengthening KYC rules, STR procedures, risk assessment obligations for financial institutions and DNFBPs, and CDD regarding beneficial owners and PEPs. In addition, an enhanced Proceeds of Crime Act introduces unexplained wealth orders and non-conviction-based forfeiture, while a comprehensive Anti-Terrorism Act addresses terrorist financing and proliferation.

In August 2018, financial regulators issued several Guidance Notes related to prevention of money laundering and proliferation financing, as well as financial crime risk management. Finally, the government passed a strengthened Travelers' Currency Declaration Act. Additional legislation awaiting Parliamentary approval include a Beneficial Ownership Register Bill that requires declaration of beneficial ownership information to a designated authority, and a Non-Profit Bill to regulate and supervise non-profits.

The Bahamas is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/cfatf-4meval-bahamas.pdf>.

The Bahamas exchanges records in connection with narcotics investigations or proceedings pursuant to a bilateral treaty on mutual assistance in criminal matters.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The Bahamas needs to address recognized deficiencies in its AML/CFT regime by demonstrating risk-based supervision of non-bank financial institutions and ensuring timely access to adequate beneficial ownership information. Increasing the quality of the FIU's products would better assist law enforcement to investigate and prosecute all types of money laundering, lead to successful forfeiture proceedings related to AML cases, and address gaps in terrorism and proliferation financing frameworks.

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

The Bahamas began implementing the OECD's Common Reporting Standard for tax information exchange in September 2018.

Considering the size and character of the international financial sector, the number of filed STRs is low. In 2018, the FIU received only 332 STRs from both domestic and offshore entities, down from 446 in 2017.

The National Anti-Money Laundering Task Force held 25 meetings in 2018. As provided for in the amended Proceeds of Crime Act, as of August 2018 the task force has been reconstituted as the Identified Risk Framework Steering Committee.

In 2018, 32 investigations resulted in 34 persons being charged with money laundering offenses. There were 13 convictions in the same period. In 2017, there was only one prosecution.

## **Barbados**

### **OVERVIEW**

Barbados has made limited progress improving its AML regime. Barbados has completed an initial risk assessment identifying drug trafficking as the main source of money laundering in the country and is in the process of completing a more comprehensive National Risk Assessment (NRA) amid concerns the NRA may not have been sufficient to identify significant national money laundering risks and vulnerabilities. Barbados has an active international financial services sector. It does not have FTZs or an economic citizenship program.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Barbados reports the major source of illicit funds is drug trafficking. National measures taken to address this risk include targeted controls at the points of entry, increases in maritime patrols in the waters around Barbados, and the use of intelligence by competent authorities. The extensive use of cash in routine business transactions and the comingling of illicit and legitimate funds in the financial system pose additional money laundering challenges.

The Central Bank of Barbados (CBB) licenses commercial banks and holding companies, trusts, and merchant banks. There are 28 international banks, 16 of which engage in third-party business, including such activities as trust and portfolio/investment management. As of December 31, 2015, (the most recent available data) total assets reported by international banks were approximately \$41 billion (82 billion Barbadian dollars). Four banks were managing third-party assets ranging from approximately \$150 million (300 million Barbadian dollars) to approximately \$2.5 billion (5.5 billion Barbadian dollars) at the end of 2015.

The Financial Services Unit (IBFSU) of the Ministry of International Business and Industry is responsible for establishing the legislative/supervisory framework for international business and financial services, including international trust and corporate service providers. There are no clear statistics available on the IBC sector.

The high volume of U.S. currency in circulation in Barbados relates primarily to tourism. Barbados government authorities and U.S. government law enforcement representatives assess that a substantial quantity of these dollars do not come from illicit activity. Barbados does not have any offshore banks or other institutions that would put it at higher risk than its Eastern Caribbean counterparts.

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

The primary legislation is the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (MLFTA). It includes KYC and STR regulations and covers the international financial services sector. Barbados has a Proceeds of Crime Act (POCA) that is currently under review.

Barbados has a Double Taxation Treaty and a Tax Information Exchange Agreement with the United States.

Barbados is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation->

[reports/barbados-1/9145-barbados-4th-round-mer/file.](#)

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The POCA does not include an explicit provision for cash seizures, so Barbados has used its Exchange Control Act for forfeitures. Barbados recognizes this practice is insufficient and is drafting new legislation to address this issue. Additionally, a new NRA is still underway and could identify additional deficiencies.

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

There are several areas Barbados should address in order to align with international best practices, including completing a new NRA, improving the monitoring process of PEPs, correcting technical deficiencies in the enforcement of sanctions, fostering national cooperation, confiscation and asset forfeiture, transparency, and international cooperation.

Gaming entities are not subject to regulation or supervision for AML purposes and supervision of DNFBPs appears to be haphazard.

The Financial Services Commission (FSC) is responsible for the licensing, regulation, and supervision of credit unions and non-bank financial institutions. The Anti-Money Laundering Authority (AMLA) is in charge of the supervision of certain DNFBPs listed in the MLFTA. The AMLA and the IBFSU are not able to independently supervise the sectors for which they have supervisory responsibility due to resource and knowledge issues. Through MOUs, both the IBFSU and the AMLA have delegated their supervisory functions to the FSC, which could compromise the FSC's ability to carry out its own supervisory responsibilities.

The new government in Barbados, with the support of donors, is exploring the establishment of a civil asset recovery division.

Barbados has signed but not ratified the UNCAC.

## **Belgium**

### **OVERVIEW**

Belgium's location and considerable port facilities have supported the development of an internationally integrated banking industry. Belgium's Port of Antwerp is the second busiest port in Europe by gross tonnage and, together with the ports of Rotterdam and Hamburg, handles the bulk of European maritime trade. With this large volume of legitimate trade inevitably comes the trade in illicit goods. Antwerp is the primary entry point of cocaine into Europe from South American ports. Cocaine valued at \$1.25 billion was seized in Belgium in 2017.

According to the Financial Information Processing Unit (CTIF), Belgium's FIU, 11 percent of its referrals to Belgian police are drug-related, but Belgian police services are investigating drug

money laundering activity to a much greater degree than that statistic reflects. Most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity but are heavily associated with the recent boom in cocaine importations at the Port of Antwerp. Bulk cash smugglers, the principal money laundering concerns of law enforcement, move European drug proceeds out of the region. For the most part, the bulk cash only transits Belgium but is not deposited due to strong banking controls. Illicit funds, however, do enter the banking system. The National Bank of Belgium estimates the total amount of illicit funds currently in circulation at \$2.80 billion.

Belgium is a leader in the diamond trade. Officials note that the high value and easy transport of diamonds makes them highly vulnerable to money laundering through both illicit sales and as a means of storing and transmitting value. Diamonds are an ideal vehicle for TBML due to the lack of a set market value.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Large amounts of illicit funds generated by the cocaine trade fuel a shadow economy in Belgium. Drug trafficking through the Port of Antwerp generates proceeds that are laundered from Belgium through intermediary points such as the United States, UAE, or Hong Kong. Legitimate businesses, such as real estate, restaurants, diamonds, and retail businesses are used to launder drug proceeds.

Difficulties in monitoring movements in the Port of Antwerp and limited investigations into passengers repeatedly declaring more than approximately \$10,925 (€10,000) at the main airport of Zaventem facilitate the movement of cash. Bulk cash smugglers move European drug proceeds out of the region, primarily using hawala networks in conjunction with currency exchange houses located throughout the world.

Drug proceeds are occasionally laundered by the purchase of loose diamonds and/or diamond jewelry, which couriers then take out of Belgium. The opaque and closed nature of the Antwerp diamond industry inhibits money laundering investigations and provides a cover for some individuals to launder illicit funds through pre-existing, pseudo-legitimate networks.

Virtual currencies, such as bitcoin, are increasingly used by criminal networks to facilitate illegal activity in Belgium. Fueled primarily by the sale of synthetic drugs via the dark web, investigations involving virtual currency are becoming more common among Belgian police authorities.

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

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

Belgium has comprehensive KYC rules and STR requirements. On September 18, 2017, Belgium published implementing legislation for the EU Fourth AML directive, which addresses enhanced due diligence for domestic PEPs.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

There are very few reported instances of bulk cash transported out of the Port of Antwerp via cargo container; however, the Port of Antwerp's large size and difficulty in effectively analyzing the contents of 10.5 million container-equivalent units that move through the port each year may help facilitate the movement of illicit funds and the transfer of illicit value. More strict control over the ability of port workers to access and transport merchandise could discourage the transport of bulk cash and access to illicit shipments.

Increased supervision of the diamond industry, considering its size and vulnerability to money laundering activity, including efforts to promote more STRs from diamond dealers, should be encouraged. Authorities should also prioritize the detection of cases of illegal diamond trafficking and large-scale tax fraud involving diamond dealers. More specific oversight of the actual individuals operating within the diamond industry is needed to gain intelligence to determine those individuals and businesses involved in moving illicit funds via hawala networks and TBML.

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

Resources, both human and IT, should be allocated to the services responsible for countering money laundering, to enable a more proactive approach. After the terrorist attacks in Paris and Brussels, CTIF reported an increase in terrorist financing cases and increased its staff accordingly.

The number of STRs from diamond dealers remains low: in 2017, the CTIF received only 11 STRs from an estimated 1,600 diamond traders.

With regard to new financial technologies and virtual currencies, the CTIF is working with regional and international partners to address the need for surveillance and control.

## **Belize**

### **OVERVIEW**

Belize's geographical location, porous borders, poverty, and limited material and personnel resources leave it vulnerable to illicit trafficking, illegal migration, transnational criminal organizations, and corruption. Its sources of money laundering are drug trafficking, tax evasion, securities fraud, and conventional structuring schemes. The government is taking steps to close those vulnerabilities. Belize has an active offshore financial sector but is not a key regional financial player. There are two relatively unmonitored FTZs that are used to move money internationally.



Belize is building its FIU's capacity and, with donor assistance, developed a multi-agency Financial Crime Working Group. Belize is still primarily a cash economy with declining numbers of businesses using the formal sector.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Belize is primarily a cash economy and efforts to formalize are hampered by foreign banks' AML/CFT de-risking phenomenon. Domestic banks lost 90 percent of their correspondent banking relationships in 2015-2016. Although new relationships developed, they come with higher business costs, and Belizean entities struggle to implement AML/CFT requirements. As a result, many businesses are moving back to cash transactions.

The Government of Belize is working to regulate financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and IBCs. As of December 2018, the IBC Registry has 42,640 registered, active IBCs; 2,165 trusts are registered at the International Trust Registry; and 248 foundations are active. One IBC with an online gaming license can operate in the offshore sector. With the exception of the four international banks regulated by the Central Bank of Belize, the International Financial Services Commission (IFSC) supervises offshore entities. The new director general of the IFSC has significantly improved its overall effectiveness. Fit and proper and due diligence requirements have been addressed.

Belize's two FTZs are managed entirely by the private sector, deal in cash, and are an entry and dissemination point for contraband. The non-existence of a MOU between the Belizean and Guatemalan FIUs exacerbates the situation.

There are six casinos operating in Belize with annual revenues estimated at \$30 million. Additionally, there are 32 paid gaming establishments and one online gaming license. The FIU supervises the gaming sector for AML compliance.

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

The National Anti-Money Laundering Committee (NAMLC) advises the Minister of Finance on policies and activities to combat money laundering, terrorist financing, and financing proliferation of weapons of mass destruction.

Major amendments to the Money Laundering and Terrorism Act, the Financial Intelligence Unit Act, the Criminal Code, the International Financial Services Commission, the Interception of Communications Act, and the Customs Regulations Act came into effect in 2018. Amendments to the International Business Companies Act, the Export Processing Zone Act, and the Income and Business Tax Act are being presented to the House of Representatives in Belize in mid-December 2018.

Belize has comprehensive CDD and STR regulations and PEPs are subject to enhanced due diligence. CDD-covered entities include domestic and offshore banks; venture risk capital;

money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance entities; real estate intermediaries; credit unions; casinos; motor vehicle dealers; international financial service providers; public notaries, attorneys, accountants, and auditors; FTZ businesses; and NGOs.

The FIU maintains formal and informal alliances with local and international law enforcement and exchanges information without formal mechanisms. It has signed MOUs with the Jamaican and St. Vincentian FIUs. Response time has significantly improved, including to INTERPOL requests.

Belize is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/belize-2>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The FIU has adopted a three-year strategic plan that includes resource augmentation. A Legal Officer was contracted for supervision duties and assistance with prosecutions. The Director of Public Prosecutions assigned a prosecutor to assist in financial crimes cases.

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

Belize's National Risk Assessment is scheduled for completion in early 2019, and the FIU houses a permanent National Risk Assessment Coordinator. Banking sector AML supervision is improving; the central bank revoked one license in 2018 for failure to comply. The FIU is completing standard operating procedures for financial analysis. All analysts are working towards accreditation.

As of September 2018, two persons have been charged with money laundering offenses and several investigations are underway. Fraud is the most commonly classified suspicious activity shown on filed STRs.

Belize's FIU improvises local solutions, including a Request for Information database, to ensure it meets request for information obligations. Local database limitations, especially at the Companies Registry and the Immigration and Lands Departments, contribute to occasional delinquency.

International cybercriminal activities continue to plague Belize, including phishing and ATM harvesting scams. The slow development of both a national cybersecurity policy and technical expertise constrains response in this area. The FIU's associated capabilities are limited. Key agencies and offices involved in enforcement and monitoring, such as the FIU, Police Department, and Customs and Excise Department face various challenges including political interference, corruption, and human resource and capacity limitations.

## Benin

### **OVERVIEW**

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

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

Benin took significant steps in 2018 to counter financial crimes through passage of stronger legislation and efforts to facilitate information exchange. Parliament passed a new AML/CFT law in June to comply with a 2015 directive from the West Africa Economic and Monetary Union (UEMOA). Benin also created a specialized trial court with a broad mandate covering drug, terrorism, and financial crimes.

In September 2018, Benin was welcomed into the Egmont Group after five years of observer status.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

Benin is vulnerable to drug-related money laundering. Cases linked to Benin include the proceeds of narcotics trafficking comingled with revenue from the sale of imported used cars for customers in neighboring countries. In recent years, Benin was implicated in large international schemes in which Lebanese financial institutions linked to Hizballah were used to launder and move criminal proceeds through West Africa and back into Lebanon. As part of the schemes, funds were wired from Lebanon to the United States to buy used cars that were then shipped to Benin and sold throughout West Africa. Profits from the sale of these cars were combined with drug proceeds from Europe and subsequently sent to Lebanon via bulk cash smuggling and deposited into the Lebanese financial system. Hizballah, which the U.S. Department of State has designated as a Foreign Terrorist Organization, reportedly received financial support from this network.

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

The 2018 UEMOA-drafted uniform law helps standardize AML/CFT legislation among member countries. In Benin, the uniform law (Act 2018-17) replaces 1997 and 2016 laws criminalizing money laundering and the 2012 financing of terrorism law by combining their provisions into a single law. The uniform law also addresses deficiencies in earlier legislation by introducing new

investigative authorities; requiring attorneys, notaries, banks, and certain non-governmental and religious organizations to report large cash transactions; and the designation of additional money laundering predicate offenses.

Benin is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofbenin.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Draft implementing guidelines for the new uniform law are awaiting finalization. Act 2018-13 passed on May 18, 2018 to create the Economic Crimes and Terrorism Court (CRIET), a specialized court for economic and financial crime, does not enumerate the particular offenses under the court's jurisdiction. CRIET's jurisdiction is broadly defined, which may result in a lack of clarity in the appropriate trial court for certain crimes or a case backlog in the future if investigative capacity increases.

The Minister of Finance has not signed a draft ministerial decree specifying the powers, organization, and function of the Advisory Committee on the Freezing of Assets.

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

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

The West African Central Bank (BCEAO), which regulates the common West African CFA franc currency, sets a requirement for declaration of bulk cash crossing the border to Nigeria (a non-UEMOA member country) at approximately \$8,750 (CFA franc 5,000,000) or more. Benin customs authorities lack training to evaluate cross-border currency declarations for money laundering purposes.

The National Financial Intelligence Processing Unit (CENTIF), Benin's FIU, is under-resourced and agents within this office and other law enforcement offices are often reassigned to new jurisdictions and new disciplines after training investments by donors. Insufficient funding for day-to-day operations hinders travel to conduct investigations. CENTIF has requested support from donors to implement recommendations by international AML experts. CENTIF has limited funds for international travel to Egmont meetings and foresees challenges with English language proceedings.

On the judicial side, investigative judges lack specialized training in complex financial schemes and cases sit unattended. Out of 728 statements of suspicion recorded between 2017-2018, 17 were presented to the court and are still pending. Benin has had no successful money laundering prosecutions to date.

There is no MLAT between Benin and the United States. Benin is a party to multilateral conventions that support international cooperation on money laundering cases.

## **Bolivia**

### **OVERVIEW**

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Criminal proceeds laundered in Bolivia are derived primarily from smuggling contraband and the drug trade. In recent years, Bolivia has enacted several laws and regulations that, taken together, should help the country more actively fight money laundering. Bolivia should continue its implementation of its laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Major sources of illicit funds in Bolivia include cocaine trafficking, smuggled goods, corruption, illegal gold mining, and informal currency exchanges. Chile and Peru are the primary entry points for illicit products, which are then sold domestically or informally exported.

The latest White House Office of National Drug Control Policy report found that Bolivia had the potential to produce 249 metric tons of cocaine in 2017, a significant source of illicit profits. Informal gold mining also has grown in recent years. Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets and money laundering activity is likely.

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

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

A few legal casinos pay a hefty percentage to the government in order to run card games, roulette, slots, and bingo. Many illegal casinos operate in the informal market.

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

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

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

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

Bolivia does not have a mutual legal assistance treaty with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance. U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, and Bolivian National Customs signed a Customs Mutual Assistance Agreement (CMAA) in 2017 that expands cooperation and information sharing, including in the area of money laundering. The CMAA provides for the sharing of forfeited assets.

Bolivia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at: <http://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/bolivia/evaluaciones-mutuas-1/1950-informe-de-evaluacion-mutua-de-bolivia-3a-ronda/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

Bolivia is in the process of including notaries under the supervision of UIF and is working to address other noted deficiencies, including vehicle dealers, real estate businesses, and jewelry stores, as well as virtual currency, mobile device payments, and financial outflows.

In 2017, the Central Bank of Bolivia prohibited the use of bitcoin and 11 other virtual currencies. The regulation bans the use of any digital currency not regulated by a country or economic zone.

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

The Bolivian criminal courts have jurisdiction over crimes related to narcotics, terrorism, and money laundering. With a legal order, courts can request information from banks for investigative purposes.

Bolivia has an extradition treaty with the United States. In some instances, the Bolivian government has been cooperative with U.S. law enforcement. However, overall there is little law enforcement cooperation between Bolivia and the United States.

According to available data, there were approximately 51 money laundering-related prosecutions in 2018. Conviction data is not available.

Banks are actively enforcing all regulations to control money laundering or any other suspicious transaction.

## **Bosnia and Herzegovina**

### **OVERVIEW**

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

BiH recently has made substantial progress, not only strengthening its AML regime, but harmonizing its laws across its numerous legal systems, including laws related to money laundering and asset forfeiture. BiH has a complex legal and regulatory framework with criminal codes and financial sector laws at the state and entity levels (Federation of BiH (FBiH) and Republika Srpska (RS)), and in the Brčko District (BD).

BiH completed its National Risk Assessment of Money Laundering and Terrorist Financing in the Period 2018-2022 (NRA) in September 2018, which identifies notaries and real estate agencies as the highest-risk sectors.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

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

## **KEY AML LAWS AND REGULATIONS**

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

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

## **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Corruption is endemic, affecting all levels of the economy and society.

BiH has made significant technical improvements to its AML/CFT regime, including with regard to confiscation measures; CDD and STR procedures; financial institution regulation and supervision; regulation of DNFBPs and NPOs; transparency of legal persons and beneficial owners; targeted financial sanctions; statistical data and public reporting by the FIU; cross-border cash declarations; and national-level cooperation. Actual implementation of these reforms has begun, but achievements in terms of money laundering investigations, prosecutions, and convictions, as well as other measures of progress, need to be confirmed.

The four criminal codes and criminal procedure codes now contain similar money laundering offenses. The criminal codes of the entities and BD include specific provisions on some aspects of confiscation and forfeiture of income or other benefits, commingled property, and instrumentalities. The two entity governments have special laws on the confiscation of assets, in addition to the provisions of the criminal procedure codes.

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

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

There are agencies in FBiH, RS, and the BD that manage confiscated assets. There is no such agency on the state level. The state level investigates money laundering crimes with an international or inter-entity element, while the entities and BD deal with localized money laundering. The jurisdictions maintain separate bank supervision and enforcement/regulatory bodies.

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



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

In the period from January 2018-October 2018, according to information from the High Judicial and Prosecutorial Council of BiH, the courts handed down six convictions related to money laundering pertaining to nine persons. In 2017, indictments for money laundering were up 14 percent over 2016.

## **Brazil**

### **OVERVIEW**

Brazil's economy was the second largest in the Western Hemisphere in 2018 and among the 10 largest in the world. Brazil is a major drug transit country, as well as one of the world's largest drug consumers. Transnational criminal organizations operate throughout Brazil and launder proceeds from trafficking operations and human smuggling. A multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) where Brazil shares borders with Paraguay and Argentina. Networks in the TBA provide financial support to Hizballah, a U.S. Department of State-designated Foreign Terrorist Organization. Public corruption is law enforcement's primary money laundering priority, followed by narcotics trafficking.

A June 2018 FATF statement notes Brazil risks suspension if it fails to remedy remaining CFT deficiencies related to the implementation of targeted sanctions for terrorist financiers designated by the UN Security Council.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Public corruption, human smuggling, and trafficking of drugs, weapons, and counterfeit goods are the primary sources of illicit funds. Money laundering methods include the use of banks, real estate, and financial asset markets; remittance networks; shell companies; phantom accounts; illegal gaming; informal financial networks; and the sale of cars, cattle, racehorses, artwork, and other luxury goods. Criminals also use foreign tax havens to launder illicit gains. Drug trafficking organizations are linked to black market money exchange operators. In large urban centers, laundering techniques often involve foreign bank accounts, shell companies, and financial assets; while in rural areas, promissory notes and factoring operations are more common.

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

Recent reporting and Brazilian law enforcement information suggests the nation's largest criminal organization, Primeiro Comando da Capital (PCC), is making a push into money laundering and other less visible criminal enterprises and corrupting public officials and police. The PCC is currently attempting to evolve into a sophisticated transnational criminal organization, with ties to several countries in the Western Hemisphere and Europe, and sees money laundering and other associated financial crimes as part of its evolution.

Since 2014, "Operation Car Wash" has uncovered a complex web of corruption, money laundering, and tax evasion spanning the Americas, leading to arrests and convictions of the former president, former and then-current ministers, members of Congress, political party operatives, employees at Petrobras and other parastatals, and executives at major private construction firms throughout the region. Corruption-related money laundering is associated with fraudulent contracts, bribery and influence-peddling, antitrust violations, public pension fund investments, and undeclared or illegal campaign donations. According to the Ministry of Justice, more than \$100 million of illicit funds emanating from "Operation Car Wash" have been blocked overseas; Brazil has recovered \$20 million thus far.

Brazil's Manaus FTZ is composed of five free trade areas. Brazil also has a number of export processing zones.

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

Brazil's money laundering legal framework was last updated in 2012. The framework facilitates the discovery, freezing, and forfeiture of illicit assets. Brazil has comprehensive KYC and STR regulations.

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

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

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

From January through September 2018, the Council for Financial Activities Control (COAF), Brazil's FIU, initiated 54 money laundering administrative actions and referred 4,967 cases to law enforcement for potential investigation. Comprehensive data on criminal investigations and convictions are not yet available.

Brazilian law enforcement has successfully seized millions in multiple currencies in highway seizures and served arrest warrants throughout Brazil, especially on the border with Paraguay (State of Parana).

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

Brazil made significant strides in strengthening its legal framework, building capacity to investigate and prosecute financial crimes through specialized police units and courts, and fostering interagency cooperation and civil society input on prospective reforms. Nonetheless, challenges remain. Judicial delays often lead to cases expiring before judgment due to strict statutes of limitations. Brazil will benefit from expanded use of the task-force model and cooperative agreements that facilitated recent major anticorruption breakthroughs, an increased information exchange on best practices for financial market fraud, government contract oversight, and collaboration and leniency agreements.

## **British Virgin Islands**

### **OVERVIEW**

The British Virgin Islands (BVI) is a UK overseas territory. Its economy is dependent on tourism and financial services. The BVI is a well-established, sophisticated financial center offering accounting, banking and legal services, captive insurance, company incorporations, mutual funds administration, trust formation, and shipping registration. At the close of September 2017, the commercial banking sector had assets valued at approximately \$2.3 billion. Potential misuse of BVI corporate vehicles remains a concern, but the government has put in place frameworks to guard against such abuse. Criminal proceeds laundered in the BVI derive primarily from domestic criminal activity and narcotics trafficking.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The BVI has a favorable corporate tax and no wealth, capital gains, or estate tax. Significant money laundering risks include exploitation of financial services, and a unique share structure that does not require a statement of authorized capital. The BVI is a favored destination for incorporating new companies and registering shell companies, which can be established for little money in a short amount of time. Multiple reports indicate a substantial percentage of BVI's offshore business comes from China.

Financial services account for over half of government revenues. The Financial Services Commission's (FSC) December 2017 statistical bulletin notes there are 389,459 active

companies. Of these, 1,089 are private trust companies. There are six commercially licensed banks and 1,499 registered mutual funds.

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

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

Money laundering is criminalized, as are all money laundering predicate offenses, in line with international standards. Maximum criminal penalties for money laundering and money laundering-related offenses are \$500,000 and 14 years in prison. Administrative penalties are a maximum of \$100,000. Maximum penalties under the Anti-Money Laundering Regulations are \$150,000.

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

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

The BVI is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/virgin-islands-1>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

International experts have criticized the BVI's AML supervision, particularly of the company formation sector, and its sanctions regime, though recent improvements have earned positive marks. In 2017, the BVI Enforcement Committee reviewed 382 enforcement cases, resulting in 17 administrative penalties, six cease and desist orders, one advisory, 63 license revocations, and six warning letters.

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

The UK is responsible for the BVI's international affairs, save those matters that may be delegated under the Virgin Islands Constitution Order 2007. The UK arranged for the extension to the BVI of the 1988 UN Drug Convention in 1995, the UNCAC in 2006, and the UNTOC in 2012.

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

The BVI has implemented a register which provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. Beneficial ownership information must be shared with the UK government within 24 hours of a request. The UK Sanctions and Anti-Money Laundering Act 2018 requires the BVI establish a publicly accessible register of the beneficial ownership of companies registered in its jurisdiction by December 2020.

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

## **Burma**

### **OVERVIEW**

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

The Burmese government has made some progress in addressing international AML concerns. Burma is designated as a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act, but the U.S. Department of Treasury began waiving the legal ramifications in 2012 and issued an administrative exception in 2016, allowing U.S. financial institutions to provide correspondence services to Burmese banks.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

Many people in Burma rely on informal money transfer mechanisms, known as *hundi*, as the formal financial system is underdeveloped and has limited connectivity with international banks. *Hundi* dealers use Burmese banks at major border crossings to transfer money from workers abroad throughout Burma, but the banks do not apply KYC regulations to the source of the money. The Burmese Central Bank has been working to draft regulations for these money services for years.

Many business deals and real estate transactions are conducted in cash. In Burma, access by adults to at least one formal regulated financial service increased from 30 percent in 2013 to 48 percent in 2018; however, Burma is still a largely cash-based economy, which makes it difficult for authorities to detect illicit financial flows.

Despite gaming currently being illegal, casinos target foreigners in border towns, especially near China and Thailand. Little information is available about the scale of these enterprises. There is a draft law in Parliament to legalize casinos.

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

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

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

Burma is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

The FIU relies on the cooperation of 25 entities, from customs to the central bank to law enforcement bodies, but these groups' understanding of AML issues and procedures is limited,

and coordination between the bodies is poor. Oversight of non-conventional financial services in Burma, such as money transfer services, microfinance institutions, and securities firms, is in the initial phases, and the central bank provides limited AML oversight of state-owned banks.

In November 2003, the United States identified Burma as a jurisdiction of “primary money laundering concern,” pursuant to Section 311 of the USA PATRIOT Act, which prohibits U.S. financial institutions from establishing or maintaining correspondent accounts with Burma. While the Section 311 findings remain in place, Treasury began easing restrictions in 2012 on corresponding banking relationships with certain banks, and in October 2016 issued a blanket administrative exception which permits U.S. financial institutions to maintain correspondent banking relationships under certain conditions. Burma applied to join the Egmont Group in March 2017.

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

Burma continues to work on full implementation of the 1988 UN Drug Convention. Despite enacting an AML law, Burma’s implementation of AML reforms is weak. Between July 2016 and June 2018, Burma’s FIU investigated 12 money laundering cases. Of them, six cases were related to drug trafficking, three cases came from SARs, and three cases from police stations’ reports and other sources. Six of the cases were prosecuted, two were closed, and four are still under investigation.

## **Cabo Verde**

### **OVERVIEW**

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

Although Cabo Verde’s AML regime has flaws, the government has revised its laws, policies, and regulations in an attempt to create the tools to curb illicit financial activities. The AML framework, established initially in 2009, has led to improved port container monitoring and information sharing between Cabo Verde’s domestic and international airports. Cabo Verde continues to receive international support in its fight against drug trafficking, money laundering, and other crimes. This support includes support to its FIU.

### **VUNLERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Approximately 30 percent of Cabo Verde’s economy is in the informal sector, creating a lack of transparency and contributing to vulnerability to money laundering. The biggest money laundering risk in Cabo Verde is likely related to narcotics trafficking, largely due to its location at the Atlantic crossroads, along major trade routes, and to its limited capacity to patrol its large maritime territory. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels,

including private yachts. Domestic consumption of consumer drugs – namely marijuana, cocaine, crack cocaine, and synthetic drugs – is increasing.

Public corruption is limited in Cabo Verde and is unlikely to be a major element facilitating money laundering. Although the formal financial sector is well regarded, it may still offer niches to money launderers as a safe haven, in spite of the ongoing development of the country's AML regime.

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

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

Cabo Verde has somewhat operationalized its framework for national cooperation and coordination. The Ministry of Justice recruited eight public prosecutors to be stationed around the archipelago, and the BCV recruited six agents for its supervision department. Two of the latter will specifically support the AML supervision of financial institutions. Cabo Verde's General Inspectorate of Economic Affairs serves as the supervisory body for dealers in luxury cars, antiques, and illicit gaming.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

The FIU continues to take steps to improve its efficiency and effectiveness, including by availing itself of donor assistance. Work remains to be done to develop a record of tangible outcomes across the range of AML stakeholders, including administrative enforcement actions by financial and non-financial sector regulators, consistent application of financial investigative techniques in all law enforcement investigations involving crimes generating illicit profits, and successful financial crimes prosecutions including asset forfeiture.

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

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



Implementation and enforcement of the laws remain weak, although 23 AML cases were processed in the 2017-2018 judicial year. Government agencies appear unaware of their own responsibilities under the AML regime or are not motivated to meet them.

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

## **Canada**

### **OVERVIEW**

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

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

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

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

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

Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) that strengthen Canada's AML regime and improve compliance came into force in June 2017. These amendments expand the ability of the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's FIU, to disclose information to police, the Canada Border Services Agency, and provincial securities regulators. They also mandate AML measures for provincially-operated online casinos.

Entities subject to KYC and STR requirements include banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents

of the Crown (certain government agencies); MSBs; accountants and accountancy firms; precious metals and stones dealers; and notaries in Quebec and British Columbia. A second package of regulatory amendments that will close other gaps in Canada's AML regime, such as the lack of AML compliance measures for foreign MSBs and virtual currency dealers, is being finalized for publication in 2019.

The PCMLTFA provisions cover foreign and domestic PEPs and heads of international organizations (HIO). The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, an HIO, or an associate or family member of any such person.

The government published its national AML/CFT risk assessment in July 2015 and is currently updating this assessment. Parliament began a statutory review of the administration and implementation of the PCMLTFA in February 2018. A review is required every five years.

The 2015 Security of Canada Information Sharing Act facilitates information sharing among government agencies regarding activity that undermines national security.

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

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

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

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

Canada has a rigorous detection and monitoring process in place but should further enhance its enforcement and prosecutorial capabilities. As noted by international experts, when the magnitude of the identified money laundering risks are taken into account, Canada's money laundering conviction rate appears to be low; from 2010-2014 (most recent data available), only 169 trials on charges of money laundering led to a conviction. In addition to the offense of laundering the proceeds of crime, the possession of proceeds of crime (PPOC) is also a criminal

offense. The same penalties apply to both laundering and PPOC convictions involving more than approximately U.S. \$3,740 (\$5,000 Canadian). Of PPOC charges brought in 2014, 17,191 resulted in a conviction on at least one charge.

Canada adopted legislation regulating virtual currencies in 2014 that, when it comes into force, will subject persons and entities to the same reporting requirements as MSBs. The law will not come into force until a second package of regulatory amendments is completed, which is expected in 2019. Digital currency exchanges will have to register with FINTRAC. Financial institutions will be prohibited from establishing and maintaining accounts for virtual currency businesses not registered with FINTRAC.

## **Cayman Islands**

### **OVERVIEW**

The Cayman Islands, a UK overseas territory, is an international financial center that provides a wide range of services, including banking, structured finance, investment funds, trusts, and company formation and management. As of June 2018, the banking sector had U.S. \$934 billion in international assets. There are 147 banks, 146 trust company licenses, 139 licenses for company management and corporate service providers, 821 insurance-related licenses, and five MSBs. There are 103,759 companies incorporated or registered in the Cayman Islands and 10,708 licensed/registered mutual funds.

The government has adopted and implemented a risk-based approach to combating money laundering. Population of a centralized beneficial ownership platform was completed in June 2018.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

Gaming is illegal and the government does not permit registration of offshore gaming entities. Cayman Enterprise City, a Special Economic Zone, was established in 2011 for knowledge-based industries. Of 49 businesses in the Commodities & Derivatives Park as of June 2018, 15 were registered with the Cayman Islands Monetary Authority (CIMA) under the Securities and Investment Law.

In April 2018, CIMA issued a public advisory regarding the potential risks of investments in Initial Coin Offerings and all forms of virtual currency. The Cayman Islands is developing a

“Digital Assets Legislative Framework” to address future threats and vulnerabilities associated with virtual or electronic currencies, while monitoring developments in global standards.

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

Shell banks, anonymous accounts, and the use of bearer shares are prohibited.

The Terrorism Law (2018 Revision), a consolidation of the Terrorism Law (2017 Revision) and the Terrorism (Amendment) Law 2017, enhances the territory’s AML/CFT efforts in that property is given a wider definition and terrorist financing is now a predicate offense for money laundering.

The Penal Code (2018 Revision), a consolidation of previous penal legislation, codifies tax evasion as a predicate offense.

CDD and STR requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, MSBs, lawyers, accountants, corporate and trust service providers, money transmitters, dealers of precious metals and stones, the real estate industry, and other relevant financial business as defined in the Proceeds of Crime Law (2018 Revision).

The Anti-Money Laundering Regulations (AMLRs) 2018 require designated entities to use a risk-based approach, to include the application of enhanced due diligence procedures for high-risk clients such as PEPs.

The Cayman Islands is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/cayman-islands-1>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

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

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

The UK is constitutionally responsible for the Cayman Islands’ international relations. The UK arranged for ratification of the 1988 UN Drug Convention and the UNTOC to be extended to the Cayman Islands in 1995 and 2012, respectively.

The Mutual Legal Assistance Treaty (MLAT) between the United States and the United Kingdom, which allows for assistance in criminal matters, has been extended to the Cayman Islands.

During the first half of 2018, the government conducted 59 money laundering investigations and investigated 52 individuals, resulting in the arrest of 50 people and the initiation of seven civil forfeiture cases. As of June 2018, there have been six money laundering-related prosecutions. All six cases are still active. There have been two money laundering-related convictions.

An amendment of Regulation 31 of the Monetary Authority (Administrative Fines) Regulations, 2017 to enhance the administrative fines regime came into effect on March 13, 2018.

The AMLRs require all financial service providers to collect and maintain beneficial ownership information. The Registrar of Companies stores this information in a centralized platform, which facilitates instantaneous access to beneficial ownership information for law enforcement and competent authorities. The UK Sanctions and Anti-Money Laundering Act 2018 requires the Cayman Islands to establish a publicly accessible register of the beneficial ownership of companies registered in its jurisdiction by December 2020.

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

### **OVERVIEW**

Chinese authorities identify illegal fundraising; cross-border telecommunications fraud; weapons of mass destruction, proliferation finance, and other illicit finance activity linked to North Korea; and corruption in the banking, securities, and transportation sectors as ongoing money laundering challenges.

In 2018, China continued its anti-corruption campaign and increased regulatory scrutiny of the financial sector. While China has taken steps to improve its AML regime, there are significant shortcomings in implementing laws and regulations effectively and transparently, especially in the context of international cooperation. China should cooperate with international law enforcement in investigations regarding indigenous Chinese underground financial systems, virtual currencies, shell companies, and trade-based value transfers that may be used for illicit funds transfers.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The primary sources of criminal proceeds are corruption, drug and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, property crimes, and tax evasion. Criminal proceeds often are laundered via bulk cash smuggling; TBML; shell companies; purchasing valuable assets, such as real estate and gold; investing illicit funds in lawful sectors; gaming; and exploiting formal and underground financial systems and third-party payment systems. Corruption in China often involves state-owned enterprises, including those in the financial sector.

China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels, including SEZs in at least 19 coastal cities and areas. Additionally, China has four FTZs.

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

There are seven categories of predicate crimes for money laundering in China's Criminal Code, including illegal narcotics, gangs, terrorism, smuggling, corruption, disruption of financial regulatory orders, and financial fraud. A 2006 Anti-Money Laundering Law imposes legal liability on financial institutions for regulatory violations and grants law enforcement power and international cooperation authority to the State Council.

The People's Bank of China (PBOC), China Banking and Insurance Regulatory Commission (CBIRC), and China Securities Regulatory Commission jointly issued the provisional "Measures for Administration of Anti-Money Laundering and Counter Terrorist Financing in Internet Financial Institutions" on October 10, 2018, scheduled to take effect on January 1, 2019. The measures set AML/CFT requirements for internet financial institutions, including online payment providers, lenders, and consumer finance companies; online fund sellers and financing information intermediaries; and equity crowdfunding, insurance, and trust platforms. The National Internet Finance Association of China (NIFA) is tasked with issuing implementation rules as well as operating and maintaining the PBOC-established internet monitoring platform. Internet financial institutions are required to establish internal control and monitoring systems to effectively check client identifications, file CTRs and STRs, and maintain client information and transaction records. They are additionally required to report any single or daily cumulative cash transaction of approximately \$7,200 (RMB 50,000) or \$10,000 equivalent of foreign currency.

On October 26, 2018, the CBIRC issued for comment for 30 days the draft "Measures on Administration of Anti-Money Laundering and Counter Terrorist Financing of Banking Financial Institutions." The draft defines the AML/CFT responsibilities of financial institutions, including a comprehensive risk management system covering compliance management, internal controls, and procedures covering all products and services.

China has comprehensive KYC and STR regulations, and financial institutions are required to determine and monitor the risk levels of customers and accounts, including foreign PEPs. High-risk accounts must be subject to re-verification at least every six months. If an existing customer has become a PEP, senior management approval must be obtained to continue that relationship.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Domestic PEPs are not subject to enhanced due diligence procedures.

Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes the seizure/confiscation of substitute assets of equivalent value. Improvements should be made to address the rights of bona fide third parties and the availability of substitute assets in seizure/confiscation actions.

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

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

Since late 2017 the PBOC has intensified its AML enforcement. The PBOC's actions are a positive step; however, China should continue to enhance coordination among its financial regulators and law enforcement bodies and with international partners. China's Ministry of Public Security should continue efforts to better understand how AML tools can be used in a transparent fashion to support the investigation and prosecution of a wide range of criminal activity.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. China's recently passed Mutual Legal Assistance (MLA) Law authorizing Chinese law enforcement agencies to comply with MLA requests, including foreign freezing and seizure requests and forfeiture judgments. However, the newly enacted MLA law is untested and it remains to be seen as to how the Chinese authorities will scrutinize these cases. Additionally, although China's courts are required by law to systematically confiscate criminal proceeds in domestic cases, enforcement historically has been inconsistent and no legislation authorizes the seizure/confiscation of substitute assets of equivalent value.

U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML matters; however, they note China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for information.

## **Colombia**

### **OVERVIEW**

Colombia has one of Latin America's most rigorous AML systems, but money laundering exists throughout its economy, especially involving proceeds from drug trafficking, illegal mining, extortion, and corruption. In August 2018, President Ivan Duque's Administration announced it would target money laundering as one of its "top ten" priority crimes and increase the use of asset forfeiture. Colombia has an impressive ability to detect money laundering and should continue to improve interdiction, prosecution, and interagency cooperation in order to implement an effective and efficient AML regime.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Colombian officials say illicit funds are most commonly laundered by way of bulk cash smuggling and TBML. The 114 FTZs in Colombia are vulnerable to TBML due to inadequate

regulation, supervision, and transparency. Other techniques and commodities used to launder illicit funds include: real estate transactions; wire transfers; remittances; casinos, gaming, and lotteries; cattle; illegal mining; prepaid debit cards; and the use of cryptocurrency.

In TBML, purchased goods are either smuggled into Colombia via neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. Invoice-related TBML schemes are also used to transfer value. According to Colombian government officials, corrupt customs authorities facilitate evasion of the normal customs charges. Criminal organizations occasionally launder illicit proceeds through the formal financial system, but primarily use less regulated mechanisms such as the non-bank financial system and black market peso exchange. Money brokers often facilitate these transactions with extensive networks to conduct the exchanges.

There are documented cases of money laundering involving cryptocurrency, but they represent a tiny fraction of the number of cases and amount of funds laundered via traditional methods discussed above. The Attorney General's Office (AGO) and Ministry of Justice officials intend to investigate this emerging challenge.

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

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

President Duque announced a series of planned justice reforms that include proposals for expanded asset forfeiture capabilities. If passed, the new laws would allow the Colombian Inspector General's Office (*Procuraduría*) to seize illicitly-earned assets in cases of public corruption, providing a deterrent and another source of funding for the Colombian government's law enforcement activities.

Colombian and U.S. law enforcement authorities cooperate closely in money laundering and asset forfeiture investigations, and exchange of information occurs regularly.

Colombia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/colombia>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Colombia has a rigorous AML legal, policy, and regulatory framework. While the Colombian government's regulation of the financial sector is robust, its regulation of other sectors (in particular trade, money exchange businesses, and private unions) is inconsistent. The financial sector regulator is working to expand its risk-based approach to AML regulation to other sectors.

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



Key impediments to an effective AML regime continue to be limited interdiction capability, uneven interagency cooperation, and inadequate expertise and resources for investigating and prosecuting complex financial crimes. Although interagency cooperation is increasing following a restructuring of the AGO, bureaucratic stove piping and inadequate information sharing still limit the effectiveness of Colombia's AML regime.

Colombia's FIU relies on STRs and SARs from financial institutions, but a significant portion of money laundering is detected through investigations into narcotics trafficking and other criminal activity. The Colombian government's ability to detect TBML is limited due to the complex networks used to smuggle goods, lax enforcement and corruption by customs officials, and a lack of coordination between the customs administration and customs police. Colombian officials' expertise in complex financial crimes is challenged by the sophistication and adaptation of the informal networks used by money launderers. This affects all levels of the justice system, from investigators to prosecutors and the judiciary.

The government body that manages seized assets, the Special Assets Entity, has struggled to sell and manage efficiently the vast quantity and wide range of seized illicit goods, including vehicles, real estate, and livestock. Its limited capacity to quickly liquidate assets has increased management expenses. Additionally, there are only 11 asset forfeiture judges in all of Colombia, prolonging some cases for more than 30 years.

Colombia has one of the strongest AML regimes in the region. Still, its ability to grow its capacity is dependent upon liquidation of seized assets – currently valued in excess of \$1 billion – and improved interdiction, prosecution, and interagency cooperation. President Duque's Administration recognizes this challenge and has publicly indicated its intent to improve its asset forfeiture and investigation/prosecution of financial crimes.

## **Costa Rica**

### **OVERVIEW**

Transnational criminal organizations employ Costa Rica as a base for financial crimes due to enforcement challenges and its location on a key transit route for narcotics trafficking. Costa Rica improved its legal framework for supervision and enforcement and is steadily advancing implementation of new legislation and money laundering prevention mechanisms. Gaps remain, however, and additional resources for key units, stand-alone asset forfeiture legislation, and enhanced penalties for financial crimes could mitigate current challenges.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Narcotics trafficking continues to represent the largest source of laundered assets. Human trafficking, fraud, corruption, and contraband smuggling also generate illicit revenue. The construction and real estate sectors remain areas of concern, due to the number of high-value projects and significant foreign investment. Extortionate money lending operations are a favored

mechanism for criminal organizations to generate and launder illicit funds. Bulk cash smuggling, particularly at airports, and smurfing are additional favored typologies.

Online gaming is legal in Costa Rica, and sportsbook enterprises are suspected of laundering millions of dollars. Financial institutions remain vulnerable to money laundering, and the 2017 “Cementazo” scandal revealed corruption-related vulnerabilities at state banks.

Costa Rica does not regulate virtual currencies despite increased popular interest in cryptocurrencies and the presence of two bitcoin ATMs in Costa Rica.

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

Costa Rica has KYC and STR requirements that have broadened since 2017 changes to legislation, which established reporting and supervision requirements for DNFBPs. Entities subject to reporting and supervision requirements include banks; savings and loan cooperatives; pension funds; insurance companies and intermediaries; money exchangers; securities brokers/dealers; credit issuers and sellers/redeemers of traveler’s checks and money orders; trust administrators; financial intermediaries and asset managers; real estate developers/agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; pawnshops; automotive dealers; casinos and electronic gaming entities; NGOs that receive funds from high-risk jurisdictions; lawyers; notaries public; and accountants. The impact of these changes became clear in 2018 as STRs increased 40 percent over the same period in 2017, with 2018 STRs valued at over \$3.4 billion.

Costa Rica and the United States do not have an MLAT, nor is one under negotiation at this time. Costa Rica cooperates effectively with U.S. law enforcement through international cooperation offices at key institutions and is party to several inter-American agreements on criminal matters and UN conventions. Costa Rica provided assistance on over 40 international AML investigations in 2018.

Costa Rica is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-costa-rica-2015.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Costa Rican law does not attribute criminal responsibility to legal entities; however, legislation to correct this gap is being developed.

Despite years of effort, Costa Rica has not established a stand-alone framework for non-conviction-based asset forfeiture, forcing reliance on two articles of the existing asset forfeiture law, which lack provisions for asset sharing or international cooperation. Despite vocal opposition from special interest groups and concerns over property rights, political will to pass asset forfeiture legislation remains strong.

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

Costa Rica continues to improve implementation deficiencies. After nine years of limited sanctions, regulators fined a Costa Rican bank \$2 million for accepting funds linked to bribery. The supervision platform for DNFBPs continues to advance, and DNFBP's are regularly reporting suspicious transactions, although the banking sector continues to generate over 80 percent of STRs. In 2018, authorities added additional positions to the FIU and Special Prosecutor Office for Money Laundering (SPOML), although capacity remains below target levels. Costa Rica's new attorney general largely reorganized Costa Rica's Specialized Prosecutor Offices, which may generate greater efficiencies in investigations.

From January to September 2018, the FIU referred 42 STRs to the Special Prosecutor Office for further investigation. Money laundering investigations remain a complex endeavor, as prosecutors must prove a direct link between the predicate offense and illicit assets. Cases linked to non-narcotics offenses are less common, and prosecutions typically arise from bulk cash discoveries at ports of entry. In October 2018, Costa Rican prosecutors had over 200 open money laundering cases, the majority in the SPOML; nine were tried between January and October 2018, resulting in eight convictions. The number of trials decreased slightly, although the conviction rate increased to 88 percent versus approximately 50 percent the prior year.

## **Cuba**

### **OVERVIEW**

Cuba is not a regional financial center. Cuban financial practices and U.S. sanctions continue to prevent Cuba's banking system from fully integrating into the international financial system.

The government-controlled banking sector, low internet and cell phone usage rates, and lack of government and legal transparency render Cuba an unattractive location for money laundering through financial institutions. The centrally-planned economy allows for little, and extremely regulated, private activity. A significant black market operates parallel to the heavily subsidized and rationed formal market dominated by the state.

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

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Cuba's geographic location puts it between drug-supplying and drug-consuming countries. Cuba has little foreign investment, a small international business presence, and no offshore casinos or internet gaming sites. Cuba's first special economic development zone at the port of Mariel in northwestern Cuba was established in November 2013 and is still under development. Brazilian construction giant Odebrecht has investments in Cuba, specifically at the Mariel Special Economic Development Zone. While the Cuban government's direct participation in

Odebrecht's money laundering operation is not evident, the Cuban government's economic practices are opaque and difficult to account for. Additionally, a high-level Brazilian official recently expressed concern the Cuban government laundered money through Odebrecht and stated his government's intention to investigate possible wrongdoing. There are no known issues with or abuse of NPOs, ARS, offshore sectors, FTZs, bearer shares, or other specific sectors or situations.

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

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

The United States and Cuba have developed a mutual legal assistance relationship through the legal cooperation technical working group established by the Law Enforcement Dialogue. The DEA established direct communication with its Cuban counterpart to focus on counternarcotics cooperation. Cuba has bilateral agreements with a number of countries related to combating drug trafficking.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

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

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

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

Several years ago the government ran high-profile campaigns against corruption and investigated and prosecuted Cuban officials and foreign business people. Cuba released no reports of prosecutions or convictions for money laundering in 2018; the last reported case occurred in August 2011.

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

## **Curacao**

### **OVERVIEW**

Curacao's prominent position as a regional financial center is declining, but it is still considered a transshipment point for drugs and gold from South America. Money laundering occurs through the sale of illegal narcotics, unlicensed money lenders, online gaming, and the transfer of gold from South America.

Curacao is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions, with the approval of the local Parliament. In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and sharing of information in the area of criminal investigation and law enforcement. One priority area is interdicting money laundering operations. The MOU activities are ongoing.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering organizations may try to take advantage of the availability of U.S. dollars, offshore banking and incorporation systems, two FTZs, a shipping container terminal with the largest oil transshipment center in the Caribbean, Curacao-based online gaming sites, and resorts/casinos to place, layer, and integrate illegal proceeds. Money laundering occurs through real estate purchases, international tax shelters, gold transactions, and through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands. Given its proximity and economic ties to Venezuela, the risk of Curacao being used to launder the proceeds of crimes emanating from Venezuela is substantial. However, the number of Venezuelans who could take advantage of access to U.S. dollars and euros has significantly declined since the humanitarian crisis in Venezuela erupted and U.S. sanctions made it harder for Venezuelans to launder their money.

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

The Kingdom may extend the applicability of international conventions to the autonomous countries in the Kingdom. The Kingdom extended to Curacao the 1988 UN Drug Convention

and the UNTOC (as a successor to the Netherland Antilles). With the Kingdom's agreement, each autonomous entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as they do not infringe on the foreign policy of the Kingdom.

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

The following types of service providers are obligated by AML legislation to file unusual transaction reports (UTRs) with the FIU and are covered by the KYC laws: accountants and accounting firms, auditors and auditing firms, auto/car dealers, credit unions, credit card companies, building societies, insurance companies, financial leasing companies, money remitters, real estate agents, securities brokers/dealers, banks, casinos, credit associations, financial advisors, lotteries, money exchanges (only domestic banks are permitted to provide the service of exchanging foreign currencies), notaries, pawn shops, dealers in precious stones and metals, lawyers, pension funds, online betting lotteries, trust companies, construction material dealers, and administrative services providers. Money transfer/cash courier companies must be licensed and supervised by the Central Bank of Curacao and Sint Maarten. Curacao is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The parliament recently approved tax law changes to meet OECD standards.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Curacao has drafted a supervisory law for internet gaming (currently the Ministry of Justice is the supervisory authority), which will be submitted to Parliament in 2019. Curacao has started conducting a national money laundering risk assessment.

The Kingdom has not extended the UNCAC to Curacao.

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

Curacao utilizes a UTR reporting system, a broader reporting mechanism than a STR scheme. Pursuant to local legislation, the reporting entities file UTRs with the FIU. The FIU analyzes the UTR and determines if it should be classified as a STR.

The 1983 MLAT between the Kingdom and the United States applies to Curacao and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement,

incorporating specific U.S.-EU provisions, was not extended to Curacao. Additionally, Curacao has a tax information exchange agreement with the United States.

Curacao has adopted the Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets, which was signed by the Kingdom in 1994.

Curacao recently conducted a number of high-profile money laundering investigations, and numerous former officials were investigated, charged, or convicted. Curacao continues with two multi-year money laundering prosecutions. In 2018, the Supreme Court in the Netherlands upheld money laundering and corruption-related convictions against a former prime minister of Curacao. Also in 2018, an international bank with an office on Curacao severed ties with a Venezuelan company allegedly involved in money laundering. On September 4, 2018, Dutch prosecutors reached a settlement requiring multinational bank ING to pay approximately \$888 million (€775 million) for AML compliance failings, including allegations it facilitated money laundering by Curacao-based clients.

## Cyprus

### **OVERVIEW**

Since 1974, the southern part of Cyprus has been under the control of the government of the Republic of Cyprus. The northern part of Cyprus, administered by Turkish Cypriots, proclaimed itself the “Turkish Republic of Northern Cyprus” (“TRNC”) in 1983. The United States does not recognize the “TRNC,” nor does any country other than Turkey. A buffer zone, or “Green Line,” patrolled by the UN Peacekeeping Force in Cyprus, separates the two sides. The Republic of Cyprus and the area administrated by Turkish Cypriots are discussed separately below.

Cyprus has an established AML legal framework, which it continues to upgrade. As a regional financial center, Cyprus has a significant number of nonresident businesses. At the end of 2017, a total of 217,588 companies were registered in Cyprus, many owned by nonresidents. By law, all companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The Cypriot financial system is vulnerable to money laundering by domestic and foreign criminal enterprises and individuals, although proceeds generated abroad pose a greater threat. Despite legal requirements to identify beneficial owners to government authorities, some Cypriot law and accounting firms help construct layered corporate entities to mask the identities of financial beneficiaries. The main criminal sources of illicit proceeds are investment fraud, corruption, advance fee fraud, tax evasion, illegal drugs, tobacco smuggling, and human trafficking. Additionally, cybercrime cases, especially e-mail hacking, phishing, and the use of ransomware, continue to increase. Organized criminal groups and others have reportedly used Cypriot banks to launder proceeds, particularly from Russian and Ukrainian illicit activity. The

gaming sector may pose new, potential vulnerabilities as the Cypriot authorities adjust to supervising casino-based activity. After a competitive bidding process, the government recently awarded an exclusive license to a casino operator. A multi-million euro casino resort is under construction, with completion expected in 2021. In the interim, the operator was authorized to open five “pop up” casinos.

Cyprus’ investor citizenship program allows foreign investors to apply for Cypriot (and, accordingly, EU) citizenship after investing more than \$2.2 million in Cyprus. This program generated \$5.7 billion from 2008 to the end of 2017. The program requires investments in any combination of real estate, land development, and infrastructure projects; companies with a proven physical presence in Cyprus; or licensed financial assets of Cypriot companies. Following pressure from the EC, Cyprus’ Council of Ministers decided in May 2018 to limit the number of naturalizations of investors to 700 per year as of 2018. Cyprus screens applicants using a two-tier background check; applicants who make it to the second tier face a more extensive investigation, which takes up to six months to complete. Additionally, the Committee of Supervision and Control for the Cyprus Investment Program — which includes representatives from the Ministry of Finance, the Ministry of Interior, and the Cyprus Investment Promotion Agency (CIPA) — established in 2018 a Register of Service Practitioners. Those practitioners are authorized to provide residency/citizenship services to investors who meet certain criteria designed to increase accountability, such as abiding by a code of conduct, having no criminal record, etc.

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

The Unit for Combating Money Laundering (MOKAS) is Cyprus’ FIU. Cyprus has several supervisory authorities for AML compliance, including the Central Bank of Cyprus (CBC), the Cyprus Securities and Exchange Commission (CySEC), the Cyprus Bar Association, the Institute of Certified Public Accountants of Cyprus, and the Cyprus Casino Gaming Commission. All of the supervisors can issue directives to their respective supervised entities and have developed onsite and offsite tools for risk-based supervision.

The provisions of the Fourth EU AML Directive were enacted in domestic regulation and published in the Official Gazette in April 2018. One of the key provisions mandates creation of a national registry listing all beneficial owners of legal entities in Cyprus. The government aims to have the registry operational by 2020.

The AML law contains provisions allowing for the registration and enforcement of foreign court orders. Cypriot authorities maintain close cooperation with foreign supervisory authorities, including U.S. agencies. Cypriot legislation covers both foreign and domestic PEPs.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**



Cyprus continues to upgrade its AML legal framework. Cypriot authorities finalized their first AML/CFT national risk assessment (NRA) on November 30, 2018. The NRA assesses the money laundering threat as high to the Cypriot banking sector and medium-high to trust and company service providers, lawyers and accounting firms. The NRA identifies numerous areas for improvement, including more effective implementation of AML laws and regulations, enhanced capacity building and awareness training in all sectors, and specialized training for prosecutors, investigators, and the judiciary.

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

Cyprus implements applicable international conventions. Relevant legislation makes adherence to UNSCR and EU sanctions compulsory. Additionally, there is a bilateral MLAT between the United States and Cyprus.

In 2016, Cypriot authorities convicted 28 persons for money laundering offenses, six of whom were prosecuted in cases filed before 2016. In 2017, Cypriot authorities convicted 33 persons for money laundering offenses, 22 of whom were prosecuted in cases filed before 2017. Statistics for 2018 are not yet available.

On June 14, 2018, the CBC issued a circular to banks, advising them to be extra vigilant against shell companies and letter-box companies, and to avoid doing business with them. A refined version of this circular was issued November 2, 2018, to all credit, payment, and virtual money institutions. The circular defines shell companies and requires covered entities to review their client bases for such clients, assess the future of the business relationship, and inform the CBC of the review outcome. The circular has resulted in banks closing noncompliant accounts and refusing to open new accounts that fail to meet specified thresholds in the circular. The circular will be incorporated in a legally binding CBC directive, expected to be issued in early 2019.

Supervisory authorities are legally empowered to take a range of measures under the AML law against noncompliant entities. In an effort to “name and shame” offenders, and following specific legal provisions, both the CBC and CySEC post information on their websites on the imposition of such fines.

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

#### **OVERVIEW**

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

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

As of November 2018, there are 34 casinos in the Turkish Cypriot-administered area. Local experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector poorly regulated, and, consequently, vulnerable to money laundering. The unregulated money lenders and currency exchange houses are also areas of concern.

The offshore banking sector poses a money laundering risk. As of November 2017, it consists of seven offshore banks regulated by the “central bank” and 411 offshore companies. Turkish Cypriots only permit banks licensed by OECD-member countries to operate an offshore branch locally.

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

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

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

Turkish Cypriot authorities passed AML “legislation” in 2008.

Financial institutions and DNFBPs are required to submit STRs to the “FIU.” Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “Attorney General’s Office,” and then, if necessary, to the “police” for further investigation. The committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “central bank,” “police,” and “customs.”

Draft AML “legislation” incorporating international standards and elements of the then-proposed EU Fourth AML Directive has been pending approval in “Parliament” since 2014.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

The area does have in place “regulations” requiring enhanced due diligence for both foreign and domestic PEPs, but compliance is lacking.

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

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

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

While progress has been made in recent years with the passage of “laws” better regulating the onshore and offshore banking sectors and casinos, these “statutes” are not sufficiently enforced.

The “central bank” oversees and regulates local, foreign, and private banks. There are 22 banks in the area administrated by Turkish Cypriots, of which 17 are Turkish Cypriot-owned banks, and five are branches of banks in Turkey.

Between January and November 2018, the “FIU” reported receiving 2,389 STRs, compared to 515 for the same period in 2017, and participated in 40 money laundering-related prosecutions.

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

## **Dominica**

### **OVERVIEW**

Despite the devastation of Hurricane Irma, Dominica made some progress in its AML regime in 2018. With the assistance of a donor, Dominica has begun a National Risk Assessment (NRA). The findings of the NRA will provide a roadmap for the future. Dominica reports there are currently 13 offshore banks regulated by the Financial Services Unit (FSU), which also licenses and supervises credit unions, insurance companies, internet gaming companies, and the country’s economic citizenship program.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The government indicates that narcotics and cybercrime are the major sources of illicit funds. The country’s geographical location and porous borders raise risks for narcotics trafficking. Additionally, foreign nationals from Europe, South America, and Asia have used automated teller machines in Dominica to skim money from European bank accounts by exploiting security deficiencies.

The preliminary vulnerabilities identified by the NRA are inadequate AML training for the judiciary and the prosecutorial authorities, lack of awareness of new AML/CFT procedures by key law enforcement agencies, and ineffective supervision of DNFBPs.

Dominica's offshore sector hosts two internet gaming companies, 13 offshore banks, and an unknown number of insurance entities, trusts, and IBCs. (As of 2015, the number of IBCs was close to 19,000.) Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs.

Under Dominica's citizenship by investment (CBI) program, individuals can obtain citizenship through a donation to the government's Economic Diversification Fund of U.S. \$100,000 for an individual or U.S. \$200,000 for a family of four, or through an investment in real estate valued at a minimum of U.S. \$200,000. The real estate option incurs fees ranging from U.S. \$25,000 to U.S. \$70,000 depending on family size. Authorized agents, based both domestically and abroad, market the CBI program and are typically the first point of contact for applicants. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CBIU) to manage the screening and application process. Due diligence has been lax. Dominica does not consistently use available regional mechanisms, such as the Joint Regional Communications Center (JRCC), to properly vet candidates. The CBIU does not always deny citizenship to those who are red flagged or given negative dispositions from the JRCC and other institutions. There are also increasing concerns about the expansion of these programs due to the visa-free travel and the ability to open bank accounts accorded these individuals.

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

Dominica has extensive AML laws and regulations including the Money Laundering Prevention (Amendment) Act (MPLA) of 2016, the 2013 Financial Services Unit (Amendment) Act, and the 2013 Proceeds of Crime (Amendment) Act. In March 2018, the Chief Justice made statutory rules under section 223 of the Magistrate's Code of Procedure Act to clarify the forms and procedures used in the application for detention and forfeiture of cash.

Dominica has KYC and STR regulations. The AML/CFT Code of Practice covers legal persons and provides for enhanced due diligence for PEPs. The registering agents of IBCs are mandated to keep proper beneficial ownership records.

Dominica has a MLAT with the United States.

Dominica is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/dominica-1/63-dominica-3rd-round-mer/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Dominica has no major deficiencies in legislation. Because Dominica has numerous pieces of amended legislation, the government should consider a legislation review to identify any conflicts or to determine which pieces of legislation could be consolidated into one MLPA.

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

Dominica reports that the FSU remains understaffed.

From 2016 to 2018, Dominica revoked the licenses of eight offshore banks.

In 2018, Dominica created a quick response unit, the Anti-Crime Task Force, to work in conjunction with the drug unit to fight illicit activities in the country.

From 2017 to 2018, Dominica prosecuted six money laundering cases.

## **Dominican Republic**

### **OVERVIEW**

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

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR vulnerable to money laundering threats. Financial institutions in the DR engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States.

Following its expulsion in 2006, the DR is not currently a member of the Egmont Group. The Dominican government officially requested readmission to Egmont in 2015 and is working with the Egmont Group to complete reinstatement in 2019.

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

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, public corruption, and fraudulent financial activities, particularly transactions with forged credit cards. Networks smuggling weapons into the DR from the United States remain active. Car

dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR. Bulk cash smuggling by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

While the DR has passed a law creating an international FTZ, implementing regulations have not been issued and there are presently no operational FTZs.

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

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

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

The Dominican Republic is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/republica-dominicana/evaluaciones-mtuas-15/2976-merrd-fourth-round/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The DR has a mechanism (Law 155-17) for sharing and requesting information related to money laundering; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. Following its expulsion in 2006, the Dominican government improved the functionality of its AML institutions, but it was only in 2014 that the Congress approved legislative changes to bring the country into compliance with Egmont Group rules by eliminating a second FIU-like organization. The DR officially requested readmission to the Egmont Group in 2015 and is working with the group towards readmission in 2019.

The definition and procedural requirements regarding PEPs are not consistent across sectors. Additionally, the DR has no legislation providing safe harbor protection for STR filers and does not criminalize tipping off. The government also needs to strengthen regulation of casinos and non-bank actors and is exploring methodologies to do so.

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

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

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

The Attorney General's Office reports there were 12 convictions in calendar year 2018 for money laundering as well as 38 active trials currently underway. The Financial Analysis Unit, the FIU, reports it is investigating an additional 50 cases. The Attorney General's Criminal Investigations Unit has also begun working on sensitive cases involving, among other issues, money laundering and corruption.

## **Ecuador**

### **OVERVIEW**

Ecuador is a major drug transit country. A U.S. dollar-based economy and geographic location between two major drug-producing countries make Ecuador highly vulnerable to money laundering. Economic informality and a prevalence of cash transactions also complicate AML efforts. Approximately 55 percent of people do not have bank accounts, and 60 percent of small businesses do not have tax identification numbers or bank accounts. Money laundering occurs through trade, commercial activity, and cash couriers. The transit of illicit cash is a significant activity, and bulk cash smuggling and structuring are common problems.

Bureaucratic stove-piping, corruption, lax immigration laws, and lack of international information sharing and specialized AML expertise in the judiciary, law enforcement, and banking regulatory agencies hamper efforts to improve AML enforcement and prosecutions.

Rooting out public corruption remains a top priority for the current government. The government has investigated and prosecuted high-level government officials from the previous administration for bribery, embezzlement, illicit enrichment, and organized crime. The Attorney General's Office (AGO) continues to investigate allegations of financial crimes related to state oil company PetroEcuador and the Brazilian construction company Odebrecht.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Narcotrafficking is a significant source of illicit proceeds, and criminals continue to use commercial and trade mechanisms to launder funds. Persistent money laundering problems relate to government corruption, real estate transactions, embezzlement, tax evasion and fraud, illegal mining and gold smuggling, bulk cash smuggling, and TBML, particularly cross-border commercial activities with Colombia.

Additionally, officials indicate the SUCRE – a quasi-cryptocurrency for transaction settlements between Venezuela, Ecuador, and Bolivia – is a possible channel for money laundering.

With the assistance of donors, the Ecuadorian FIU is undertaking a national risk assessment to identify vulnerabilities and typologies.

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

Ecuador did not implement new AML regulations in 2018. The 2017 General Regulation to the 2016 Organic Law of Prevention, Detection, and Eradication of Money Laundering and Financial Crimes (2017 General Regulation) and subsequent 2017 banking regulations strengthen STR requirements and risk management for covered entities. The Ecuadorian legislature continues to debate legislative measures to strengthen the country's ability to freeze, seize, and recover assets in money laundering cases.

Ecuador has enhanced due diligence for PEPs. Additionally, public officials are prohibited from maintaining assets in countries designated as tax havens.

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

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Corruption, deficient law enforcement and judicial training, and frequent misinterpretation of the law are primary AML deficiencies. Judges are susceptible to bribery from prosecutors and defendants and frequently hinder the fight against narcotics-related money laundering. The prosecutorial office handling money laundering, the Transparency and Anti-Corruption Unit (AGO/TACU), suffers from reputational deficiencies and reportedly is subject to political pressure to shelve cases. Authorities note a lack of coordination and trust among law enforcement, the AGO, and financial regulators that impedes information sharing and prosecutions.

In money laundering cases, state prosecutors are required to inform a suspect s/he is under investigation, which, according to authorities, often results in key evidence disappearing.

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

The FIU can apply administrative sanctions to reporting entities only for missing monthly reporting deadlines. If a reporting entity fails to report or otherwise act on a suspicious transaction, the FIU must rely on the AGO to initiate an investigation.



Bulk cash smuggling is not criminalized. Authorities can pursue money laundering charges against bulk cash smugglers but are given only 30 days to investigate and must prove the money came from illicit activity. Failure to declare cash/currency at a port of entry is punishable by an administrative fine; the law does not address other financial instruments.

Ecuador's 2008 Constitution permits trials in absentia and voids the statute of limitations for government officials charged with embezzlement, bribery, extortion, or illicit enrichment but does not address money laundering. Consequently, officials under investigation for money laundering frequently flee Ecuador until the statute of limitations expires, hindering prosecutions. A proposed anticorruption law would allow for asset forfeiture in absentia and lengthen the time afforded for investigations of money laundering cases involving public corruption.

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

In 2018, Ecuador pursued money laundering charges against several former government officials, including a former Secretary of Communications and a former Minister of Social and Economic Inclusion. Authorities report they have provided information on 12 possible cases of money laundering – more than half related to public corruption – to the AGO since February 2018, but have not seen prosecutorial action on most.

Officials note the supervision components of the 2017 General Regulation have not been fully implemented. Coordination between the Superintendence of Banks and the FIU in supervisory activities appears to be limited. The FIU and the Superintendence separately are working to adopt risk-based approaches to analysis and supervision.

Cooperation with U.S. law enforcement agencies on money laundering is nascent. The government does not make publicly available summary statistics on money laundering-related prosecutions and convictions.

## **El Salvador**

### **OVERVIEW**

El Salvador's main money laundering vulnerability is the FIU's recent suspension from the Egmont Group in late September 2018 based on the government's lack of progress in demonstrating the FIU's operational independence.

Current capacity building efforts are improving El Salvador's ability to investigate and prosecute complex money laundering schemes, with a major success in the recent conviction of an ex-president and several associates for money laundering and embezzlement.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

Organized crime groups launder money through the use of front companies, travel agencies, remittances, the import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing operations, whereby small amounts of money are transferred in a specific pattern to avoid detection. Many of these funds come from narcotics activities in Guatemala. It is not uncommon for officials at San Salvador's international airport to intercept multiple subjects on the same flight traveling with amounts of money just under \$10,000.

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

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

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

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

The regulatory institutions charged with AML supervision are weak and lack human resources and sufficient regulatory powers. The Superintendent of the Financial System supervises banks and remitters and only accountants and auditors with a relationship to a bank or bank holding company.

On July 18, 2017, the legislature amended the asset forfeiture law to provide substantial exceptions for public officials. The Supreme Court enjoined these changes and struck down the majority of the provisions that would have impeded the seizure of assets from illicit and corrupt activities.

The asset forfeiture legislation allows the government to sell property seized in criminal investigations and, at the end of the year, distribute it to agencies specified in the law. The AGO and the Ministry of Justice and Security are entitled to each receive 35 percent of the distribution. Yearly distributions to these two agencies are steadily increasing, with the distributions growing from \$92,700 in 2015 to \$259,700 in 2017. As the agency in charge of distributions develops, with donor support, its capacity to monetize assets, distributions in 2018 are expected to be substantially higher.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Information sharing between the Salvadoran FIU and FinCEN, the U.S. FIU, was frozen in 2014, following an unauthorized disclosure of information. Politicization of the Salvadoran FIU was addressed following a change in administration at the AGO, but the FIU remains barred from accessing FinCEN, impeding the FIU's ability to investigate transactions with a U.S. nexus.

In late September 2018, the FIU was suspended from the Egmont Group, which will be a substantial impediment to information sharing. Despite substantial technical improvements, the president's veto of an amendment to the organic law establishing the FIU as "operationally independent" from the AGO was the main cause of the suspension. The legislature overrode the veto in October 2018; however, the change will not take effect until the Constitutional Chamber of the Salvadoran Supreme Court reviews the law.

Despite the suspension from Egmont, the FIU maintains bilateral agreements with neighboring countries and is seeking to expand them during the suspension period, which will be reviewed by Egmont in July 2019.

Because of the lack of regulation, independent accountants and auditors and non-bank entities, such as casinos, pawn shops, and other DNFBPs, do not file SARs. Donors are supporting the government's development of comprehensive legislation governing these institutions.

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

Authorities are currently working on legislation to improve regulation of DNFBPs to better comply with international standards.

According to the Attorney General's Office (AGO), authorities seized assets worth \$18,034,500 in 2018, while the specialized court finalized the forfeiture of \$329,700 in 2018. In 2018, the asset forfeiture unit opened 181 cases and received final judgments in 16.

El Salvador's major money laundering convictions to date relate to ex-president Saca and his associates who, during his term (2004-09), diverted approximately \$260 million of government funds into secret accounts, then through businesses owned by himself or co-conspirators. As part of a plea agreement, the AGO will be able to forfeit approximately \$25 million in properties, businesses, vehicles, and cash that were proceeds of the fraud.

## Georgia

### **OVERVIEW**

Much of the illegal income in Georgia derives from banking fraud, cybercrime, and misappropriation of funds. Although authorities have started to conduct parallel financial investigations in drug cases, there is little hard evidence to suggest a significant volume of illegal narcotics proceeds is laundered through the formal financial system. However, because Georgia is located in a significant and well-established trafficking corridor, bulk cash smuggling and money laundering are highly likely. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Georgian authorities and are not subject to monitoring.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing links between organized crime and money laundering. Georgian law enforcement should develop a task-force approach to facilitate greater exchange of information and cooperation among the relevant bodies, pulling together intelligence and resources to attack financial crimes. Georgia also should take steps to supervise its gaming industry.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Illicit income is mainly generated from fraud and cybercrime, either domestically or abroad. Social engineering schemes are most commonly used to commit mass marketing fraud. Banking systems and money transfer services are the primary means to move funds and, often, Georgia is just one link in an international criminal chain. Georgian banking institutions are used to transfer funds from one jurisdiction to another.

According to the Financial Monitoring Service (FMS) January 2018 Annual Report, there are 416 lotteries and gaming institutions registered in Georgia and 31 casinos. The AML obligations of gaming establishments are identical or substantively similar to the requirements placed on other covered entities. The Ministry of Finance supervises lottery organizations, gaming institutions, and casinos for AML compliance. A new casino is being built on the border with Russia that may provide a vehicle for the laundering of proceeds from organized crime.

In 2017, the FMS, Georgia's FIU, identified possible attempts to avoid Iranian sanctions by non-Georgian residents of Iranian origin, or with ties to Iran, who established legal companies in Georgia to conduct financial transactions with third countries.

The FMS also examined the financial transactions of a number of Georgians who sent money through remittance services to a small group of individuals in a neighboring country. The examination showed most of the Georgians involved in these transactions had criminal records for drug crimes.

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

Georgia's Law on Combating Legalization of Illicit Income is regularly updated to enable authorities to confront emerging money laundering trends. Georgia's Civil Procedure Code

permits civil forfeiture of any undocumented property in the possession of persons convicted for money laundering or other designated offenses.

The Prosecution Service of Georgia (PSG) has a specialized department with investigative and prosecutorial units that handle money laundering crimes. The FMS operates as an independent agency accountable to the Government Cabinet. The FMS shares operational information with its colleagues on a regular basis.

Georgia's national money laundering and terrorism financing risk assessment (NRA) is expected to be fully completed in 2019.

Georgia is a member of MONEYVAL, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/georgia>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Enhanced due diligence measures are applicable only to foreign PEPs. Draft legislative amendments would extend enhanced due diligence measures to domestic PEPs and the heads of international (intergovernmental) organizations.

Bitcoin and other virtual currencies are becoming extremely popular in Georgia. Recent international investigations reveal Georgia is a popular virtual currency mining location. Georgia does not have experienced cybercrime labs and has only a handful of qualified and competent digital forensic analysts. Training and capacity-building efforts need to be directed toward establishing state-of-the-art cybercrime labs, improving analyst capabilities, and improving legislation on collecting and analyzing digital evidence.

The growth of the gaming industry, including internet gaming, is concerning. In 2017, casinos and gaming institutions filed over 500 CTRs but zero STRs. No STRs by the gaming industry in past years raises questions about their compliance with existing regulations and the effectiveness of supervision.

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

The PSG multi-year strategy and action plan, adopted in February 2017, calls for an increase in the effectiveness of money laundering investigations and prosecutions and focuses on capacity development and skill-based training for prosecutors.

About one-third of STR referrals from the FMS to law enforcement agencies has resulted in criminal investigations. Between October 1, 2017 and October 1, 2018, eight money laundering prosecutions were initiated, compared to 31 during the first nine months of 2017. During the same period, 18 people, including a legal entity, were convicted of money laundering.

Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely disclose financial components. Despite a domestic market for illegal drugs and international drug trafficking through Georgia, narcotics trafficking is rarely

investigated as a predicate offense for money laundering. The PSG has guidelines recommending a task-force approach to money laundering investigations.

## Ghana

### **OVERVIEW**

Ghana's AML laws are largely in line with international standards, and the country is working to actualize its AML regime across all sectors and institutions. However, Ghana has no comprehensive AML/CFT policy.

Ghana is consolidating its banking and financial sector, with new capital requirements reducing the number of banks operating in Ghana. This, along with improved banking supervision, could simplify oversight but should not affect the filing of STRs and CTRs adversely.

NPOs and DNFBPs continue to represent the largest gaps in Ghana's AML regime, both in terms of the legal framework and risk. To address these and other money laundering issues, the government of Ghana should allocate adequate funding to fight money laundering, effectively implement relevant asset forfeiture laws and regulations, and sanction institutions that do not file STRs and CTRs, as required by Ghanaian law. Ghanaian authorities are drafting a trust bill and real estate bill that they hope will address issues in the non-profit and real estate sectors. They have also conducted outreach to improve awareness of AML issues within Ghana's DNFBPs.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Fraud, theft, tax evasion, corruption, and drug trafficking are the most prevalent predicate crimes for money laundering offenses in Ghana. Advanced fee fraud is the most commonly committed offense. Other predicate offenses that pose medium money laundering threats include human trafficking, migrant smuggling, organized crime, arms trafficking, counterfeiting of currency, counterfeiting and piracy of products, environmental crime, and forgery.

DNFBPs, which include real estate agencies, casinos, dealers in precious metals, accountants, lawyers, notaries, car dealers, NPOs, trust and company service providers, and remittance companies, are particularly vulnerable to money laundering. Major vulnerabilities are the lack of enforcement and ineffective adherence to customer due diligence or KYC requirements by most DNFBPs. Ghana is working towards, but has not finalized, sector-specific AML guidelines, and lacks a robust risk assessment methodology for the DNFBP sector. Few STRs are filed by DNFBPs despite the high money laundering risk that sector faces.

Ghana is a cash-dominant economy, and bulk cash smuggling is the preferred money laundering scheme. No banks in Ghana provide offshore banking services. Ghana has designated four FTZ areas, but only one is active. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods.

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

Ghana's principal AML legislation is the Anti-Money Laundering Act, 2008, as amended by the Anti-Money Laundering Amendment, 2014. It defines money laundering as the conversion, concealment, disguise, or transfer of property which is or forms part of the proceeds of crime; the concealment and disguise of the unlawful origin of the property; and the acquisition, use, or possession of the property. Parliament additionally passed or amended another 12 acts and two executive instruments to strengthen Ghana's AML regime. In January 2018, the government revised its AML guidelines.

Ghana has comprehensive KYC and STR regulations and legal persons are covered. In 2016, parliament amended Ghana's Companies Act, 1963 to establish a beneficial ownership register in the country. An additional amendment to the Act making beneficial ownership and PEP data publicly available is pending approval in Parliament.

Ghana and the United States do not have a MLAT, but records can be exchanged through other mechanisms such as the Egmont Group or as parties to the UNCAC and UNTOC. Moreover, mutual legal assistance can be provided on a reciprocal basis through letters of request.

Ghana is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Ghana.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Banks and insurance companies are required to identify high-risk clients such as PEPs, but there is a lack of effective identification and monitoring of PEPs and their associates. For example, recent onsite inspections of capital market operators showed many were unable to produce their PEP lists.

There is no organized national response in the NPO sector to combat possible money laundering or terrorist financing abuse, and submission of annual financial statements and records of operation of NPOs remains a challenge.

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

Ghana is implementing a single national identity card. Identification of customers for purposes of KYC remains challenging, as many of the publicly owned identity verification databases (such as the Electoral Commission and Immigration database) are not available online, and those that are available online are not updated regularly.

Financial crimes are prosecuted by attorneys from the Attorney General's Office and by non-attorney police prosecutors. Few investigators and prosecutors have received specialized AML training. Ghana has no certified financial crime investigators trained in asset forfeiture.

Ghana's Financial Intelligence Center (FIC), its FIU, and international partners trained law enforcement agencies and other stakeholders. Covered institutions across the banking, insurance, and capital market sectors also receive AML/CFT awareness training. Ghana is

working toward compliance with international AML standards and there are no known refusals to cooperate with the United States or other governments on ML issues. Several agencies maintain combined statistics on convictions; separate data on money laundering convictions is not readily available. The FIC referred 133 cases to authorities for investigation and prosecution in 2018.

## Guatemala

### OVERVIEW

Guatemala is a transshipment route for narcotics to the United States and cash returning to South America. Though the government has challenges in addressing money laundering and financial crimes related to narcotics trafficking, they have seen improvements. Guatemala continues to progress in investigating and prosecuting corruption, money laundering, and other financial crimes. The Public Ministry (MP) has improved coordination between prosecutors and agencies so that predicate crimes, such as extortion, corruption, and drug trafficking, are pursued as part of money laundering investigations.

Issues to be addressed include greater communications between the Special Verification Agency (IVE), Guatemala's FIU, and the MP; improved coordination among financial supervision entities, including various parts of the Superintendent of Banking; and institutionalization of coordination between the MP and the National Secretariat for Administration of Forfeited Property (SENABED), the entity in charge of seized asset administration. Additional challenges include continued development of internal capacity for financial crime investigations at the MP; enhancement of a dedicated unit of investigators within the National Civil Police to support the MP; greater autonomy for SENABED; and insufficient staffing of key agencies.

In order to maximize effectiveness and decrease inefficiencies in addressing money laundering, Guatemala should continue to use vetting and counter-corruption mechanisms to identify and eliminate actors in the legal system who hinder trust and communication within and among relevant agencies.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

In addition to narcotics trafficking, institutional corruption, tax evasion, extortion, human trafficking, and commerce in illicit goods are additional sources of illicit proceeds. Money is often laundered through small transactions below the \$10,000 reporting requirement, either in small banks along the Guatemala-Mexico border or by travelers carrying cash to other countries. Guatemala does not prohibit structuring of deposits to avoid reporting requirements.

The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of their citizens across their borders without being required to declare cash amounts greater than \$10,000. Money is also commonly laundered through real estate transactions, ranching, and the gaming industry. Additionally, a category of "offshore"



banks exists in Guatemala where the customers' money is legally considered to be deposited in the foreign country where the bank is headquartered.

Guatemalan authorities and agencies increasingly conduct sound investigations of financial crimes. This year, prosecutors charged a military official with laundering money on behalf of MS-13, one of the first times the anti-extortion authorities have charged a financial crime relating to proceeds of gang extortions. Additionally, after several years of investigations, both a former vice president of Guatemala and a former minister of government were convicted this year on corruption charges, including fraud, trafficking in influence, and conspiracy, and received sentences of 15 years and eight years in prison, respectively.

Guatemala has 11 active FTZs, mainly used to import duty-free goods used in the manufacturing of products or provision of services for exportation. There are no known cases or allegations that indicate FTZs are hubs of money laundering or drug trafficking activity.

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

Despite an adequate AML legal framework, a lack of coordination among agencies and institutions and limited human resources have led to less than optimal application of KYC procedures and enforcement of AML and SAR regulations. However, most money laundering cases prosecuted by the MP begin from SARs the banks file with the IVE, which the IVE then sends to the MP. The MP uses the SARs fairly effectively.

Guatemala and the United States do not have a mutual legal assistance treaty but use other mechanisms, such as multilateral treaties, to exchange relevant information.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Despite Guatemala's improved AML legal framework and efforts to exercise due diligence for PEPs, specific deficiencies have been detected. DNFBPs such as attorneys, notaries, and, in particular, casinos or video lotteries have been identified as being at high risk for use as money laundering mechanisms. The financial sector proposed a law to regulate casinos and other DNFBPs; it has been pending in Congress for years. Casinos and games of chance operate both on- and offshore and are currently unregulated.

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

Although Guatemala's improved legal framework and IVE and MP's enhanced AML investigative abilities are positive, effective implementation is inhibited due to procedural inefficiencies, staffing shortages, and ongoing lack of collaboration among relevant offices and prosecutors based on lack of trust due to widespread corruption.

From January 1 through October 15, 2018, the MP office in charge of money laundering prosecutions received 151 complaints, filed charges in 113 cases, and obtained 63 convictions. Also, other offices may have included money laundering charges in other indictments, as noted in the MS-13 example.

## **Guyana**

### **OVERVIEW**

Guyana is a transit country for South American cocaine destined for Europe, West Africa, the United States, Canada, and the Caribbean. Cocaine is concealed in legitimate commodities and smuggled via commercial maritime vessels, air transport, human couriers, or the postal services.

Guyana's National Risk Assessment 2017 found that it has a medium-to-high money laundering risk. Unregulated currency exchange houses and dealers in precious metals and stones pose a risk to Guyana's AML/CFT system. Other sectoral vulnerabilities include the banking industry and unregulated attorneys, real estate agents, used car dealers, and charities. Guyana has made significant progress on the AML front, but more investigations and successful prosecutions are needed.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Historically, the primary sources of laundered funds are narcotics trafficking and real estate fraud. However, other illicit activities, including human trafficking, gold smuggling, contraband, and tax evasion, are also sources. The licensing policies and procedures of Guyana's unsophisticated banking and financial institutions increase the risk of drug money laundering.

Guyana does not have FTZs, offshore financial centers, cyber currencies, or economic citizenship programs. Guyana, however, permits gaming. A gaming authority regulates and supervises all gaming activities.

Common money laundering typologies include large cash deposits using fake agreements of sale for non-existing precious minerals, cross-border transport of concealed precious metals to avoid payment of the relevant taxes and duties, and wire transfer fraud using compromised email accounts.

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

The Government of Guyana's Anti-Money Laundering and Countering the Financing of Terrorism Act 2009, Interception of Communications Act 2008, and Criminal Law Procedure Act serve as its primary AML legislative regime. The government passed the State Assets Recovery Act, Protected Disclosures Act, and the National Payments Systems Act in 2018 to bolster its legislative response. The State Assets Recovery Act provides for asset sharing arrangements. Guyana amended its AML/CFT law and the Guyana Gold Board legislation, and established the National Coordination Committee to be responsible for overall AML policy. The

National Coordination Committee will develop a national AML action plan. The National Payments Systems Act establishes payment and oversight mechanisms. The other provisions of the amended law seek to curb suspicious financial transactions.

Guyana has comprehensive KYC and STR regulations. There are also records exchange mechanisms in place with the United States and other governments.

Guyana sought to strengthen its institutional response to money laundering through training and capacity building. The government trained 500 financial-sector personnel on AML best practices. The Bank of Guyana reviewed its supervisory policies and procedures for financial institutions and developed standard AML/CFT guidelines for money transfer agencies and currency exchange houses.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Guyana has strong legislation relating to money laundering. Its AML legislation covers legal persons and provides enhanced due diligence for PEPs.

Guyana lacks standardized provisions for secure electronic communications and transactions. The government also lacks a national strategic plan for combating money laundering and terrorist financing.

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

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

The major agencies involved in anti-drug and AML efforts are the Guyana Police Force, Guyana Revenue Authority (GRA), Customs Anti-Narcotics Unit, Special Organized Crimes Unit (SOCU), Bank of Guyana, Ministry of Finance, FIU, State Asset Recovery Agency (SARA), and National Anti-Narcotic Agency.

The FIU referred 21 cases to SOCU for investigation in 2018. SOCU launched investigations into these and other reports of suspicious transactions, but there have not been any convictions to date. The authorities report non-cooperation by stakeholders with SOCU and lack of capacity within SOCU hinder its success at prosecutions.

Guyana has shown strong political will to combat money laundering and has made progress on the AML front. The government still needs to train the judiciary on matters pertaining to the investigation and prosecution of financial crimes. A national strategic plan for combating money laundering should be developed and implemented, and legislation enacted for the facilitation and regulation of secure electronic communications and transactions. Reporting and investigating

entities should also improve their interagency coordination, and the GRA should report suspicious transactions to SOCU and SARA.

## Haiti

### **OVERVIEW**

Haitian gangs are engaged in international drug trafficking and other criminal and fraudulent activity. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Much of the drug trafficking in Haiti, and related money laundering, has a connection to the United States.

Haiti adopted important legislation over the past several years, in particular anticorruption and AML laws. The weakness of the Haitian judicial system, impunity, and a lack of political interest leave the country vulnerable to corruption and money laundering.

On June 8, 2016, the CFATF issued a public statement asking its members to consider the risks arising from the deficiencies in Haiti's AML/CFT regime. The statement followed CFATF's acknowledgement that Haiti had not made sufficient progress to fulfill its action plan to address serious AML deficiencies, including legislative reforms. On May 31, 2018, noting Haiti's continued progress, the CFATF removed Haiti from its public statement.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

Haiti has nine operational FTZs licensed and regulated by the Free Zones National Council, a public-private enterprise. It is unknown if FTZs are subject to AML obligations.

Haiti has 157 licensed casinos and many unlicensed casinos. Gaming entities are subject to AML requirements. Haiti also has established the Haitian State Lottery under the auspices of the Ministry of Economy and Finance. Online gaming is illegal.

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

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

In May 2017, the government adopted a new law that restructured the Central Financial Intelligence Unit (UCREF), Haiti's FIU.

Haiti is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/haiti-2>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

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

In 2016, the National Assembly added missing elements to the AML/CFT law to bring it up to international standards. For Haiti to comply fully, however, the penal code will have to be updated. The government remains hampered by ineffective and outdated penal and criminal procedural codes, and by the inability or unwillingness of prosecutors to refer cases to the judiciary and of judges to adjudicate cases. The government presented draft penal and criminal procedure codes to Parliament in April 2017, however, Parliament has yet to vote on the draft legislation.

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

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

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

The government continues to take steps, such as training staff and coordinating with the nation's banks, to implement a better AML regime.

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

UCREF has continued to build its internal capabilities, but the May 2017 UCREF law led to the replacement of the UCREF director general and the movement of UCREF under the control of the Executive branch, thereby reducing UCREF's independence. UCREF forwarded six cases to the chief prosecutor in 2017, and six cases in 2018. Once a case is received, an investigative judge has three months from the arrest date to compile evidence, but there is no limit to the

timeframe to schedule court dates, communicate with investigating agencies and prosecutors, or track financial data. The chief prosecutor also can decide not to forward the case to the judiciary for prosecution. There were no convictions or prosecutions for money laundering in 2017 or 2018.

## Honduras

### **OVERVIEW**

Honduras is not a regional or offshore financial center. Money laundering in Honduras stems primarily from narcotics trafficking by organized criminal groups. Human smuggling, extortion, kidnapping, and public corruption also generate illicit proceeds, with human smuggling fees regularly paid via MSBs.

Honduras has not completely implemented its 2015 AML and DNFBP laws. Honduras lacks a national AML strategy, but has focused on high-priority offenses, such as money laundering linked to organized crime.

Lack of coordination among units within the National Banking and Insurance Commission (CNBS) limits the operation of the AML regulatory system. The Interagency Commission for the Prevention of Money Laundering and Terrorist Financing (CIPLAFT) was not active during 2018. The Tax Administration Service was the only Honduran agency with an active CIPLAFT unit meeting Honduran legal requirements.

The general lack of investigative capacity in complex financial transactions contributes to a favorable money laundering climate. Mediocre interagency coordination impedes progress towards prosecution of money laundering or other financial crimes. However, Honduras has been able to achieve some results in money laundering and corruption cases and has sought international cooperation.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering in Honduras derives from domestic and foreign criminal activity. Local drug trafficking organizations and organized crime syndicates control most illicit proceeds, which pass through both the formal banking system and the underground economy. The automobile and real estate sectors, remittance companies, currency exchange houses, credit unions, the construction sector, and other trade-based businesses are all used to launder funds.

The Central America Four Agreement and the Regional Customs Agreement between El Salvador, Guatemala, and Honduras allow free movement of citizens between these countries, although citizens can be subject to immigration or customs inspections. This leaves each country vulnerable to the cross-border movement of contraband and cash. In October 2018, Honduras announced Nicaraguans would no longer benefit from this free movement.

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

Honduras has comprehensive KYC and STR regulations but additional procedures are necessary for full implementation of the 2015 AML law. Honduras can exchange information in connection with narcotics investigations and proceedings with the United States under appropriate treaties and conventions.

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

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Honduras lacks a comprehensive national AML/CFT strategy and its AML national risk assessment (NRA) results are not fully reflected in the allocation of resources or by the supervisory policies and procedures. Honduras is taking steps to implement a new risk-based focus, although the NRA has not been made public. Outreach to DNFBPs continues to be necessary. During 2017, the CNBS began registering DNFBPs, but to date, CNBS is still finalizing internal policies and regulations to implement the revisions to the AML law, but lacks the capacity to finalize the process.

The Honduran financial system suspends individuals under investigation and limits their access to the banking system, but poor information flow between the Public Ministry (PM) and the FIU has left cleared individuals on the financial risk list unnecessarily.

Bearer shares are still legal and there is no access to quality beneficial ownership information for Honduran companies.

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

FIU staff and PM financial analysts require training on financial institution products, international standards, financial analysis, report writing, relevant Honduran laws, and STR and CTR analysis. The FIU needs to develop feedback mechanisms to improve the quality of filed reports. An STR review task force was created within the FIU in 2018.

Although the Public Records Office has initiated file digitalization at a national level, most public property records remain in hard copy and poorly organized. This situation obstructs and slows effective investigation.

The disconnect between the judicial branch, regulatory agencies, and PM regarding the application of money laundering and asset forfeiture statutes has a negative impact on investigations. The PM and other law enforcement agencies often execute warrants before financial investigations can be completed and seize assets with tax liens before determining if other charges are applicable.

The Honduran National Congress (HNC) amended the Asset Forfeiture Law (AFL), but the amendment did not address known deficiencies and made it easier for public officials to avoid

seizure, jeopardizing law enforcement's use of forfeiture in organized crime and money laundering investigations. President Hernandez vetoed the amendment. In September 2018, the Interagency Commission for Criminal Justice issued an opinion stating Honduran law enforcement entities have misinterpreted the legal concept of freezing and seizing assets. The proposed AFL remains with the HNC.

Persons linked to Honduran public officials have been convicted in the United States in recent years, including former president Lobo's son (drug trafficking), the former minister of social services' brother (money laundering linked to bribery), and the brother of President Hernandez (charged with drug trafficking). Corruption within Honduran law enforcement remains a concern.

FIU leadership may not be operating in a transparent manner. Financial information is at times shared with individuals and entities not authorized by law to receive it or without required subpoenas. The FIU currently serves as a middleman between the PM and financial institutions instead of preparing financial analyses and identifying emerging money laundering trends and typologies.

## Hong Kong

### OVERVIEW

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. The world's sixth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes and has its own U.S. dollar interbank clearing system for settling transactions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including TBML and underground finance. Hong Kong shell companies can be exploited by a variety of suspect actors, including North Korea and Iran, to launder money, facilitate illicit trade, and gain access to the international financial system.

Government of Hong Kong officials indicate the primary sources of laundered funds are from local and overseas criminal activity, fraud and financial crimes, illegal gaming, loan sharking, smuggling, and vice. Groups involved in money laundering range from local street organizations to sophisticated international syndicates, including Asian triads involved in assorted criminal activities, including drug trafficking. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club, an NPO that collaborates with law enforcement to disrupt illegal gaming outlets.



**KEY AML LAWS AND REGULATIONS**

Hong Kong has AML legislation allowing the tracing and confiscation of proceeds derived from drug-trafficking (Drug Trafficking (Recovery of Proceeds) Ordinance) and organized crime (Organized and Serious Crimes Ordinance). These two ordinances improve the authorities' capabilities to detect and identify criminals, including drug traffickers, using Hong Kong financial institutions to launder or retain illicit profits. Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) details authorized institutions' compliance obligations regarding legal and supervisory requirements.

Under the AMLO, where payment-related information is exchanged or intended to be exchanged, authorized institutions need to carry out CDD procedures. The AMLO and the Hong Kong Monetary Authority's (HKMA) Transactions Guidance Paper direct that STRs should be filed in a timely manner with Hong Kong's Joint Financial Intelligence Unit, which is jointly run by staff of the Hong Kong Police Force (HKPF) and the Hong Kong Customs & Excise Department. The AMLO was amended in early 2018 to require DNFBPs, including trust company and service providers (TCSPs), to abide by the same set of CDD and record-keeping requirements as covered institutions. An amendment to Hong Kong's Companies Ordinance further requires TCSPs to pass a fit and proper test and obtain a license from the Companies Registry. The amended Companies Ordinance requires all companies incorporated in Hong Kong to maintain beneficial ownership information.

In July 2018, a declaration and disclosure system to detect the movement of large quantities of physical currency and bearer negotiable instruments valued over approximately U.S. \$15,400 (120,000 Hong Kong dollars) into and out of Hong Kong came into operation.

Hong Kong is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofhongkongchina.html>.

**AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

In view of increasing cross-border flows of trade, finance, and banking activities, Hong Kong regulatory authorities should strengthen cooperation with its counterparts in other jurisdictions, where cases may be connected with corruption, tax evasion, and other predicate offenses.

**ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS**

Over the last two years, financial regulators, most notably the HKMA, conducted extensive outreach to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the AMLO.

In May 2018, the Hong Kong government granted the Fraud and Money Laundering Intelligence Taskforce (FMLIT) a six-month extension to its 12-month trial status. FMLIT, which aims to enhance the detection, prevention, and disruption of serious financial crime and money laundering threats, is a collaboration between law enforcement, the HKMA, a number of banks,

and the Hong Kong Association of Banks under the leadership of the HKPF. Metrics to determine FMLIT's effectiveness, if any, have yet to be stated or reported to the law enforcement community.

The United States and Hong Kong are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international agreements, as China is responsible for Hong Kong's international affairs. China may extend the application of any ratified agreement or convention to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997, and the UNCAC and UNTOC were extended to Hong Kong in 2006.

From January 1 through September 30, 2018, there were 72 money laundering convictions. Assets restrained totaled U.S. \$60.3 million.

## India

### **OVERVIEW**

India's AML activities followed a positive trajectory in 2018, with India's Prime Minister Modi continuing to make progress in curtailing illicit financial activity, including tax evasion and money laundering. The government continues to focus on monitoring the 2016 demonetization initiative's outcomes and implementing the 2017 Goods and Services Tax (GST) to, in part, formalize and digitize India's financial system. Despite this positive trend, India continues to face vulnerabilities, including informal financial networks; complex onshore and offshore corporate structures; and enforcement capacity constraints. The Reserve Bank of India's (RBI) August 2018 Annual Report reveals 99 percent of the high-denomination banknotes cancelled during the demonetization program were deposited or exchanged for new currency, meaning the "black money" that authorities expected to purge found its way back into the system. Analysts suggest that while demonetization met the objective of bringing transactions into the formal economy, the objective of identifying tax evaders and criminals attempting to exchange excessive high-denomination currency was less successful.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

India has licensed eight offshore banking units to operate in Special Economic Zones (SEZs). As of July 31, 2018, India had approved 420 SEZs, 223 of which are operational. India has licensed eight offshore banking units to operate in the SEZs.

The most common money laundering methods in India include buying gold and real estate, opening multiple bank accounts, intermingling criminal and legitimate proceeds, purchasing bank checks with cash, routing funds through employees' accounts, and creating complex legal structures. Transnational criminal organizations use offshore corporations and TBML to disguise the origins of funds, and companies use TBML to evade capital controls. Illicit funds are also laundered through educational programs, charities, and election campaigns. Individuals

typically obtain laundered funds through tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade.

The hawala system is used extensively in India to evade transaction charges and to conduct both legitimate remittances and money laundering. Hawala's informal nature makes this method attractive for criminals, money launderers, and terrorists.

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

The government continues to implement the GST. In part, GST is meant to reduce vulnerabilities and illicit financial flows by significantly shrinking the informal economy. Adjustments in 2018 affected processing, rates, and rules governing particular sectors.

In April 2018, the RBI mandated that all bank account holders link their biometric identifications (*Aadhaar*) to their accounts by December 31 and that banks check the original identifications for large cash transactions. A September Supreme Court decision prohibits private entities from mandating *Aadhaar*'s use as a means of identification, allowing individuals the option to use other forms of ID. However, individuals may continue to use *Aadhaar* for banking and other purposes.

Cryptocurrencies are formally prohibited in India under an April 2018 RBI rule banning regulated entities from dealing in or providing services to anyone dealing in cryptocurrencies. The rule has since been appealed by the Internet and Mobile Association of India but remains in force, with a final Supreme Court verdict pending. Additionally, the Ministry of Finance has convened a committee to establish a virtual currencies regulatory framework; recommendations were anticipated by December 2018.

India has comprehensive KYC and STR requirements and uses enhanced due diligence for PEPs. Legal persons are covered by criminal and civil AML laws.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. India's most recent MER is available at: <http://www.fatf-gafi.org/countries/d-i/india/documents/mutualevaluationofindia.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

India's current safe harbor provision only protects principal and compliance officers of institutions that file STRs, not all employees. The government prioritizes crimes of tax evasion and counterfeit currency, while AML is a lower priority.

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

Given that demonetized funds were deposited into legitimate bank accounts, analysts question whether demonetization enabled criminals to launder illicit funds into the banking system. India is still investigating 1.8 million bank accounts and 200 individuals associated with unusual deposits during demonetization. On August 7, the government directed stock exchanges to

restrict trading and audit 162 suspected shell companies on the basis of suspiciously large deposits.

India has taken steps to implement an effective AML regime, but deficiencies remain. Observers and law enforcement professionals express concern about implementation and enforcement of current laws, especially regarding criminal prosecutions. Authorities believe India has insufficient investigators to analyze the enormous amount of potential money laundering data identified during demonetization.

U.S. investigators have had limited success in coordinating seizures of illicit proceeds with Indian counterparts. While U.S. law enforcement authorities' intelligence and investigative information has led to numerous seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators. India is demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges.

India should address noted shortcomings in the criminalization of money laundering and in its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations. Additionally, India should extend its safe harbor provision to cover all employees. Finally, India should use data and analytics to detect trade anomalies, possibly indicating customs fraud, TBML, and counter-valuation in informal financial networks.

## Indonesia

### **OVERVIEW**

Widely regarded as the financial capital of Southeast Asia, Indonesia remains vulnerable to money laundering due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and partially ineffective law enforcement institutions. Most money laundering in Indonesia is connected mainly to corruption cases, followed by drug trafficking and other criminal activity such as tax crimes, illegal logging, wildlife trafficking, theft, bank fraud, embezzlement, credit card fraud, and the sale of counterfeit goods.

Indonesia is making progress in identifying and addressing money laundering vulnerabilities. Authorities continue to release regulations geared towards a risk-based approach. The primary areas for improvement are greater analytical training for law enforcement, raising the judicial authorities' awareness of the money laundering offense, increased capacity and focus by investigators and prosecutors on conducting financial investigations as a routine component of criminal cases, and more education for financial services sector personnel.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Indonesia has a long history of vulnerability related to the smuggling of illicit goods and bulk cash, made easier by unpatrolled coastlines, sporadic and lax law enforcement, and poor customs

infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated for commercial and personal use. Endemic corruption remains of concern, and implementation of the AML regime remains challenging.

FTZs are not a particular concern for money laundering in Indonesia. Indonesia offers many opportunities for narcotics smuggling and cross-border transfer of illegally-earned cash without needing to rely on FTZs.

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

KYC requirements have been part of Indonesia's AML regime since 2001. PEPs are subject to enhanced due diligence.

In January 2012, the Indonesian government established an interagency National Coordinating Committee on the Prevention and Combating of Money Laundering (AML Committee) to coordinate Indonesia's AML efforts. The Coordinating Minister for Political, Legal, and Security chairs the Committee; the Deputy Coordinating Minister for Economic Affairs and the Head of Indonesia's FIU, the Indonesian Financial Transaction Reports and Analysis Center (PPATK), serve as Committee secretaries.

PPATK coordinates Indonesia's AML efforts and programs; it reports directly to the president, and submits implementation reports every six months to the president and legislature. Much of PPATK's AML activities are tied to its efforts to identify and combat terrorist financing.

In May 2017, President Joko Widodo issued Government Regulation in Lieu of Law No. 1 of 2017 Concerning Access to Financial Information for Tax Interests. The executive order permits Indonesian tax authorities to access financial accountholder data without a court order. It gives Indonesian authorities legal cover to exchange accountholder data under the OECD's Global Forum Automatic Exchange of Information (AEOI); exchange of information between relevant jurisdictions will begin in 2019.

Indonesia is a member of the APG, a FATF-style regional body. Its most recent MER is available at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The primary factors hindering the fight against narcotics-related money laundering are the lack of analytical training for law enforcement personnel and insufficient training on money laundering detection and reporting for lower-level workers in the financial services sector.

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

In 2015, Indonesia conducted a national AML/CFT risk assessment.

Indonesia is taking steps to implement applicable agreements and conventions. Combating narcotics abuse is a priority for the current administration, and Indonesia recognizes the need for international cooperation to stem this transnational threat.

PPATK publishes a monthly report summarizing reporting activity. In addition to CTR and STR data, PPATK and the Ministry of Finance's Directorate General of Customs and Excise jointly publish a Cash Carry Report to track physical cross-border transfers of cash. PPATK also invites the public to report any suspicious transactions. For the period January-June 2018, PPATK referred 201 Results of Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators – a 12 percent increase year over year. Most were alleged corruption cases. For the period January-June 2018, PPATK produced six Examination Reports (ERs), the final assessment after full analysis and evaluation of an STR. Year over year, for the period January-June 2017, the number of ERs filed has increased 33 percent.

There were three money laundering convictions for the period January-September 2018. The Indonesian government lacks sufficient practices or procedures to collect high-quality prosecution and conviction statistics; therefore, this figure may not capture all convictions.

## Iran

### OVERVIEW

In 2018, the United States ceased its participation in the Joint Comprehensive Plan of Action (JCPOA), and directed the re-imposition of all U.S. sanctions lifted or waived in connection with the JCPOA.

Iran has a large underground economy, spurred by uneven taxation, widespread smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. Pervasive corruption continues within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises.

Iran remains 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. Most opiates and hashish are smuggled into Iran across its land borders with Afghanistan and Pakistan, although maritime smuggling has increased as traffickers seek to avoid Iranian border interdiction efforts. In 2015, Iran's minister of interior estimated the combined value of narcotics trafficking and sales in Iran at \$6 billion annually.

In 2011, the U.S. government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. Additionally, the FATF has repeatedly warned of the risk of terrorist financing posed by Iran and the threat this presents to the international financial system, in the past urging jurisdictions worldwide to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran. In June 2016, Iran made a high-level political commitment to the FATF to implement an action plan to address deficiencies. Although it has made some progress, Iran has not yet completed its

action plan; all plan deadlines have now expired. In October 2018, FATF renewed its public statement on Iran.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Iran's merchant community makes active use of MVTS, including hawaladars and moneylenders. Leveraging the worldwide hawala network, Iranians make money transfers globally. Counter-valuation in hawala transactions is often accomplished via trade; thus TBML is a prevalent form of money laundering.

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.

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

Iran has criminalized money laundering and has adopted KYC and STR requirements.

Iran has a declaration system for the cross-border transportation of currency. Its 2017 directive purportedly allows the restraint of currency and bearer negotiable instruments on suspicion of money laundering, terrorist financing, or predicate offenses. The declaration system is applicable at 14 points of entry, applies to amounts over approximately \$11,500 (€10,000), and requires Iranian Bank Melli, which is designated by the Treasury Department for its link to the Islamic Revolutionary Guard Corps-Quods Force, to take temporary custody of the currency until it is cleared for passage in or out of Iran.

Iran is not a member of a FATF-style regional body, but it is an observer to the EAG. Its FIU is not a member of the Egmont Group.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran. In June 2016, Iran made a high-level commitment to the FATF to implement an action plan to address strategic AML/CFT deficiencies. As a result, although the FATF continued to include Iran on its Public Statement, it suspended its call for countermeasures for 12 months while Iran implemented its plan; this suspension has been extended multiple times. Despite its commitment to the FATF, Iran has yet to meet the requirements of its action plan. As of year-end 2018, the Iranian parliament continues to consider several pieces of legislation intended to facilitate Iran's adherence to the AML/CFT measures specified in the action plan, but the Iranian government remains internally divided about these measures. In October 2018, the FATF renewed its public statement and extended its suspension of countermeasures to February 2019, urging Iran to complete its action plan.

**ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS**

For nearly two decades, the United States has undertaken targeted financial actions, including legislation and more than a dozen EOs, against key Iranian financial institutions, entities, and individuals.

Iran has an asset forfeiture system, but it is not fully compliant with international standards. Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

On November 5, 2018, the United States re-imposed all U.S. nuclear-related sanctions that were lifted or waived in connection with the JCPOA. The sanctions target critical sectors of Iran's economy, such as energy and shipping, and transactions involving insurance providers, the Central Bank of Iran, and designated Iranian financial institutions. These include sanctions on transactions between foreign financial institutions and the central bank or designated Iranian financial institutions and on the provision of specialized financial messaging services to the central bank and Iranian financial institutions. Also on November 5, 2018, OFAC placed more than 700 individuals, entities, aircraft, and vessels on the list of Specially Designated Nationals and Blocked Persons.

## Italy

**OVERVIEW**

Italy's economy is the ninth-largest in the world and the third-largest in the Eurozone. Italy has a sophisticated AML regime and legal framework, but there is a continued risk of money laundering stemming from activities associated with organized crime and the large, unregulated shadow economy. According to the Italian National Statistics Institute, the black market economy accounts for 11.5 percent of GDP or approximately \$220 billion. Tax crimes also represent a significant risk and have been identified by Italy's national risk assessment (NRA) as accounting for 75 percent of all proceeds-generating crime in Italy.

Although improving, CDD and reporting remain weak among non-bank financial sectors, and regulations are inconsistent. Money laundering statistics, including the number of STRs received by the Bank of Italy's (BOI) Financial Information Unit (UIF), show roughly the same level of activity in 2018 as 2017. The new government, formed June 2018, has yet to clearly indicate its policy regarding money laundering, but Italian government institutions have a long history of combating organized crime and associated money laundering.

**VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Drug trafficking is a primary source of income for Italy's organized crime groups, which exploit Italy's strategic geographic location in order to do business with foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax fraud, smuggling and sale of counterfeit



goods, extortion, corruption, illegal gaming, illegally disposing of hazardous waste, and loan sharking.

In 2018, the UIF identified private banking, real estate transactions, gaming, the art trade, NPOs, the large proportion of small cash businesses, as well as more recent trends, including new financial technologies and crowd-funding, as the primary avenues for money laundering.

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

The Ministry of Economy and Finance is host to the Financial Security Directorate, which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's most recent NRA in July 2014. The UIF is the government's main mechanism for collecting data on financial flows. The BOI continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies. In late 2017, the UIF signed protocols with regional district attorney offices in Milan, Rome, Naples, and Florence to formally define information-sharing procedures. Legislative Decree N. 92, which entered into effect on July 5, 2017, extends financial oversight into the precious metal trade, building on other efforts to better monitor online money exchanges and online gaming sites.

Italy has a MLAT with the United States and is party to the U.S.-EU MLAT.

Italy is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Italy-2016.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Regulations require financial institutions to apply enhanced CDD measures for transactions with both domestic and foreign PEPs. However, DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs. DNFBPs also are not legally required to file a STR when the beneficial owner is not identified in a business transaction. Although the overall reported STR data was positive, the overall percentage of STRs reported by DNFBPs decreased by half, and 21 percent of the reports were voluntary disclosures. The government plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs.

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

The criminalization of self-money laundering, which allows for expanded legal authority to prosecute individuals for money laundering, has increased convictions and has acted as a deterrent to some extent. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there are numerous repeat offenders.

In November 2017, the UIF launched a new information-sharing database in collaboration with the Judicial Authority. The UIF reports access to underlying transaction data is quicker and is increasing as a result of the new system. The UIF is in the process of developing, in

collaboration with the BOI, artificial intelligence to aid in the detection of suspicious transactions.

Italy seeks to implement revisions to its AML policies in accordance with the EU's Fifth AML Directive by January 2020; Italy entered into compliance with the Fourth AML Directive in 2017, with Legislative Decree N. 90.

Money remitters operating under EU passport and free border arrangements were not adequately regulated or supervised, although the situation was expected to improve with the implementation of the EU's Fourth AML Directive.

Italian authorities have strong policy cooperation and coordination, and Italy continues to develop national AML policies informed by its NRA. Law enforcement agencies have been successful in undertaking complex financial investigations and prosecutions and have confiscated large amounts of criminal proceeds.

## **Jamaica**

### **OVERVIEW**

Money laundering in Jamaica is largely perpetrated by organized criminal groups. Jamaica continues to experience a large number of financial crimes related to advance fee fraud (lottery scams), corruption, and cybercrime.

In September 2018, Jamaica implemented new software that fully automates AML data collection and dissemination within the Jamaican government.

The Government of Jamaica has enforced the asset forfeiture provisions of the Proceeds of Crime Act (POCA) with moderate success but the law still is not being implemented to its fullest potential due to difficulties prosecuting and achieving convictions in financial crime cases. Law enforcement, prosecutors, and the judiciary also lack sufficient resources and training to investigate and prosecute financial crimes efficiently and effectively.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Political and public corruption both generate and facilitate illicit funds and activity.

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics, weapons trafficking, financial fraud schemes, corruption, and extortion. The activities are largely perpetrated by the dozens of violent, organized criminal groups on the island. The large number of financial crimes related to cybercrime and financial fraud schemes also target U.S. citizens.

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

Jamaica has implemented the POCA with moderate success but is still not enforcing it to its fullest potential. The POCA permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. The act allows the court to order post-conviction forfeiture of proceeds assessed to have been received by the convicted party within six years preceding the conviction. The confiscation provisions apply to all property or assets associated with or derived from any criminal activity, including legitimate businesses used to launder illicitly derived money. Jamaica's Financial Investigations Division (FID), which includes the FIU, continues to work with partners in the Jamaica Constabulary Force (JCF) and others to pursue cases that could result in seizure of assets.

The Banking Services Act allows for stronger enforcement powers and greater information sharing among the Bank of Jamaica, the Financial Services Commission, and foreign counterparts. A number of DNFBPs, such as real estate dealers, accountants, gaming establishments, and casinos, are subject to AML preventative measures.

Jamaica is a member of the CFAAT, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/jamaica-1>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Lengthy delays in prosecuting cases hinder the effectiveness of the Jamaican judicial system. The Jamaican courts and prosecutors have been unable to keep pace with an increase in crime. Inefficient methods of practice in the justice system, combined with corruption and a lack of accountability, further exacerbates an already overburdened system. Law enforcement and prosecutors tend to pursue predicate offenses to money laundering, rather than pursuing money laundering as a stand-alone offense, due to the necessity of proving the unlawful conduct from which the money laundering activity derives. In other cases, where a defendant has pleaded guilty, prosecutors sometimes dismiss POCA charges to secure a guilty plea.

To date, the regulatory agencies have not used their enforcement authority to sanction reporting entities for identified violations of AML/CFT compliance regulations.

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

Jamaica's financial institutions (including money remitters and exchanges) are subject to a range of preventative measures. These entities file an inordinately high volume of STRs annually, the vast majority of which are likely defensive filings.

In the first nine months of 2018, there were 13 prosecutions and three convictions related to money laundering. In 2017, there were 27 prosecutions and one conviction related to money laundering. Jamaica continues to extradite lotto scammer money launderers. In the first ten months of 2018, four alleged Jamaican lotto scammers were extradited to the United States, compared to 12 in 2017, and zero in 2016.

In 2017, the FID imposed forfeitures totaling approximately U.S. \$685,000 in cash and other assets, while freezing approximately U.S. \$300,000 in cash and assets. By comparison, in 2016, the FID forfeited approximately U.S. \$4.96 million in cash and other assets, while restraining approximately U.S. \$6.23 million in cash and assets.

Authorities obtained convictions under section 101A of the POCA, which prohibits cash transactions greater than approximately U.S. \$7,870 (1 million Jamaican dollars). The FID conducts programs to sensitize the public about POCA provisions to reduce the possibility individuals would unwittingly breach the law.

In a recent POCA ruling, on March 2, 2018, local courts ordered Jamaican cocaine trafficker Ralph Gregg to pay a U.S. \$150,000 penalty.

Relevant authorities in Jamaica collaborate on investigations and prosecutions in major cases. Authorities also regularly collaborate with foreign law enforcement on cases of mutual interest and there are a number of joint initiatives to deal with such cases.

The Integrity Commission Act, which came into force on February 22, 2018, consolidates three anticorruption bodies into one entity, the Integrity Commission. Jamaica's Parliament is currently engaged in debating a law to establish the Major Organized Crime and Anti-Corruption Agency, which currently falls under the auspices of the JCF, as an independent agency.

## **Kazakhstan**

### **OVERVIEW**

Kazakhstan is susceptible to money laundering and financial crimes as a transit country for heroin and opiates and because of weak enforcement of its AML regime, as indicated by low investigation and conviction numbers. Tracking narcotics revenue and investigating financial crimes are a challenge for law enforcement agencies due to the use of informal remittance systems by drug traffickers and lack of capacity to investigate financial crimes committed utilizing sophisticated technology.

In 2018, Kazakhstan continued to work on its money laundering national risk assessment. The government is seeking to bring its AML regime into greater compliance with international standards. Kazakhstani law enforcement authorities do not routinely conduct parallel financial investigations while investigating money laundering predicate offenses and weak interagency cooperation prevents information sharing on investigations.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Governmental corruption, the presence of organized criminal groups, and a large shadow economy make the country vulnerable to money laundering, as does the transit of Afghan heroin and opiates on the way to Europe via Russia. The use of virtual currency in financial crime is also growing. Law enforcement agencies believe virtual currency is being used to pay bribes or

launder illicit proceeds. A significant part of Kazakhstan's mineral wealth is held in offshore accounts with little public scrutiny or accounting oversight.

The major sources of laundered proceeds are graft by public officials, tax evasion, and fraudulent financial activity. Common methods of money laundering include transactions using shell companies to launder funds returned in the form of foreign investments. In addition, the smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen remain common practices.

Casinos and slot machine parlors are located only in selected territories. The Ministry of Culture and Sport is responsible for the licensing and regulation of the gaming sector. Kazakhstani law prohibits online casinos and gaming, though people do engage in these activities. Law enforcement agencies find it challenging to combat online gaming because servers of most online casinos are located outside of Kazakhstan. There are no known estimates of the size of illegal gaming activity in Kazakhstan.

Kazakhstan's newly established Astana International Financial Centre (AIFC) is designed to be a regional financial hub and offshore zone. It is supervised by the Astana Financial Services Authority and has a common law court system that operates outside of the Government of Kazakhstan's jurisdiction on matters for which AIFC has issued regulations. AIFC judicial findings would be referred to Kazakhstani courts for enforcement. This procedure has not been tested as the AIFC is still too new.

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

The AML/CFT Law, adopted in 2009 and most recently amended in 2015, creates the legal framework for preventive, risk-based measures the private sector should observe.

Kazakhstan has a bilateral MLAT with the United States, which entered into force on December 6, 2016. Kazakhstan is also a signatory to relevant multilateral conventions that have mutual legal assistance provisions.

Kazakhstan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Kazakhstani authorities require additional resources and political will to ensure proper enforcement of the AML/CFT regulations. The government should train and educate local institutions and personnel on further implementation of the AML law. Current AML law does not cover financial management firms, travel agencies, or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity.

Regulatory agencies lack the resources and expertise to inspect entities for AML compliance. There is no criminal or administrative liability for money laundering offenses for legal persons. Enhanced due diligence is required only for foreign PEPs; domestic PEPs are not covered.

A 2015 amendment to Kazakhstan's Criminal Code that came into effect in January 2018 limits Kazakhstan's ability to confiscate all assets of a criminal defendant. The new provision requires Kazakhstani law enforcement agencies to prove that assets belonging to a convicted criminal were obtained using the proceeds of crime. Prior to that all assets could be subject to mandatory confiscation.

Kazakhstan lacks a mechanism to share with other countries assets seized through joint or trans-border operations.

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

During the first nine months of 2018, prosecutors brought nine money laundering-related and three terrorist finance-related cases to court, which resulted in convictions in all 12 cases. The number of money laundering investigations and prosecutions remains low.

On October 5, 2018, the president announced a reorganization of the Economic Crimes Service (ECS) of the Ministry of Finance, moving the ECS to the Committee for Financial Monitoring of the Ministry of Finance, the FIU. This was the second ECS reorganization in 2018, the prior occurring in July 2018 when ECS was separated from the Committee for State Revenue. These frequent changes increase the risk of the loss of highly qualified personnel capable of conducting complex financial investigations.

A pool of certified financial investigation instructors regularly deliver training programs to law enforcement and state officials. There is a two-tier AML-CFT certification program for private sector representatives that includes both national and international components. The majority of Kazakhstani banks have at least one certified compliance specialist.

## **Kenya**

### **OVERVIEW**

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, its banking and financial sectors are growing in sophistication, and it is at the forefront of mobile banking. Money laundering occurs in the formal and informal sectors, deriving from domestic and foreign criminal operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Financial institutions engage in currency transactions connected to international narcotics trafficking involving significant amounts of U.S. currency derived from illegal sales in Kenya, other East Africa countries, the United States, and elsewhere.

Banks, wire services, and mobile payment and banking systems are increasingly available in Kenya. Nevertheless, unregulated networks of hawaladars and other unlicensed remittance systems facilitate cash-based, unreported transfers that the government cannot track. Foreign nationals, including refugee populations and ethnic Somali residents, primarily use the hawala system to transmit remittances internationally. Diaspora remittances to Kenya totaled \$1.38 billion between January and June 2018. Most of Kenya's 165,900 mobile-money agents use Safaricom's M-Pesa system, and there are 14 million accounts on M-Shwari, a mobile lender. These services remain vulnerable to money laundering activities.

Kenya is a transit point for regional and international drug traffickers, and TBML remains a problem. Kenya's proximity to Somalia makes it an attractive location for laundering piracy-related proceeds, and a black market exists for smuggled and grey market goods. Goods transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are sold in Kenya. Trade in goods provides counter-valuation in regional hawala networks.

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

Under the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and other banking regulations, Kenyan financial institutions and entities reporting to the Financial Reporting Center (FRC), Kenya's FIU, are subject to KYC and STR rules and have enhanced due diligence procedures in place for PEPs.

The POCAMLA legislation provides a comprehensive framework to address AML issues and authorizes appropriate sanctions for money laundering crimes. The Office of the Director of Public Prosecutions has used ancillary provisions in the POCAMLA to apply for orders to restrain, preserve, and seize proceeds of crime in Nairobi. In 2016, the judiciary established the Anti-Corruption and Economic Crimes Division in the High Court.

In March 2017, Kenya enacted the Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2017. The legislation includes new legal sanctions for economic crimes and measures to identify, trace, freeze, seize, and confiscate crime proceeds. Persons can be fined up to (approximately \$47,400 (5 million Kenyan shillings)), and corporate bodies up to approximately \$237,100 (25 million Kenyan shillings), with up to approximately \$94,900 in additional fines for failure to comply. It also establishes an Assets Recovery Agency to handle all cases of recovery of crime proceeds.

Extradition between the United States and Kenya is governed by the 1931 U.S.-U.K. Extradition Treaty. The United States and Kenya do not have a bilateral MLAT; however, Kenya is party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. The U.S. and Kenya also can make and receive requests for assistance on the basis of domestic laws.

Kenya is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [https://www.esaamlg.org/index.php/Mutual\\_Evaluations/readmore\\_me/15](https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/15).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

While Kenya has made strides in implementing an AML framework, challenges remain to achieving comprehensive, effective implementation of AML laws and regulations. Kenya should fully satisfy its commitments on good governance, anti-corruption efforts, and improvements to its AML regime.

Terrorist financing is not a crime in Kenya.

An automated system would improve the FRC's efficiency and ability to analyze suspicious transactions. Although the FRC receives STRs from some MVTs providers, this sector is more challenging to supervise for AML compliance.

To demand bank records or seize an account, police must obtain a court order by presenting evidence linking deposits to a criminal violation. Confidentiality of this process is not well maintained, allowing account holders to be tipped off and to move assets.

Despite some progress, Kenya has not fulfilled all of its commitments to join the Egmont Group.

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

The government, especially the police, should allocate adequate resources to build sufficient institutional capacity and investigative skills to conduct complex financial investigations independently. Bureaucratic and other impediments also may hinder investigation and prosecution of these crimes.

The tracking and investigation of suspicious transactions in mobile payment and banking systems remains difficult. Criminals could use illicit funds to purchase mobile credits at amounts below reporting thresholds. Lack of rigorous enforcement in this sector, coupled with inadequate reporting from certain reporting entities, increases the risk of abuse.

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission (EACC) prior to opening a bank account. In 2016 (the most recent data available), the EACC denied permission to 146 government employees to open foreign bank accounts.

## **Laos**

### **OVERVIEW**

Over the last year, Laos made significant progress in enhancing its AML/CFT regime. In 2018, Laos' Anti-Money Laundering Intelligence Office (AMLIO), the Lao FIU, partnered with donors



to complete Laos' first-ever national risk assessment (NRA); upgraded its IT systems; held multiple workshops and training seminars throughout the country to raise awareness of AML/CFT issues and to build capacity among law enforcement and judicial officials; and finished drafting two important decrees focused on AML prosecutions. AMLIO has also funded the training of one staff member to be an assessor on mutual evaluations, and international partners have ongoing projects aimed at enhancing Laos' ability to prosecute money laundering cases and to build the capacity of law enforcement officials.

The new Lao penal code took effect in November 2018. The new penal code contains articles that define terrorism financing and money laundering and sets forth specific penalties for various crimes.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Laos' cash-based economy, borders with five larger countries, and limited law enforcement capacity makes it an attractive environment for criminal networks. High-value commodities including land, property, and luxury vehicles are routinely purchased with cash. Beyond the formal border crossings, Laos has over 5,000 kilometers of remote, porous borders. Corruption, drug trafficking, environmental crime, the casino industry, and human trafficking all present significant vulnerabilities to Laos' AML regime. According to AMLIO, the recently-completed NRA identifies seven sectors vulnerable to money laundering, including banking, real estate, insurance, securities, financial institutions, the casino industry, and foreign exchange bureaus.

There are four casinos in Laos, including one in the Golden Triangle Special Economic Zone in Bokeo Province bordering Thailand and Burma. At present, there are no laws or decrees regarding supervision of the gaming industry, though the Prime Minister's office has expressed a desire to increase industry supervision via a decree.

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

In 2015, Laos issued a new AML/CFT law that significantly updated its legal framework. Laos' AML/CFT law is technically compliant with international standards. Laos has issued guidance to reporting entities on the enhancement of KYC policies, and STRs and CTRs are now filed online by reporting entities, including by financial institutions other than banks.

Laos has also established a National Coordinating Committee (NCC) to oversee AML/CFT implementation. The NCC is a non-permanent group comprised of senior-level government officials appointed or removed by the Prime Minister. With NCC oversight, the Lao government has issued numerous regulations, instructions, and guidelines, including with respect to wire transfers, onsite supervisory examinations, and STR requirements, among others.

The AMLIO has MOUs with 12 foreign countries, and regularly exchanges information related to individual and corporate accounts that are under investigation. Laos does not have a records-exchange mechanism in place with the United States, but mutual legal assistance is possible through multilateral conventions.

Laos is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <file:///C:/Users/default.default-PC/Downloads/Lao%20PDR%20MER%202011.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Despite having established the necessary legal framework and an independent FIU, and making significant capacity improvements in recent years, Laos' enforcement of AML/CFT laws remains a challenge. Awareness and capacity among commercial and state-owned banks are low, though improving. AMLIO is engaging in a sustained outreach campaign to law enforcement and prosecutors to raise awareness and push for more money laundering prosecutions.

Deficiencies include a lack of oversight for MVTS providers and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed. Legal persons previously were not subject to criminal liability for money laundering, but this changed when the penal code was officially promulgated on November 1, 2018.

Laos needs to expand risk-based supervision beyond financial institutions, especially to the high-risk casino sector, which is now covered by an STR requirement.

In 2017, Laos reported confiscating real property, vehicles, phones, computer equipment, and cash, amongst other items.

Laos is not a member of the Egmont Group, but is working to become one with the support of sponsor FIUs.

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

Despite the introduction of the money laundering law and the inclusion of the money laundering offense in the penal code, financial investigations in parallel with those of the predicate crime do not happen in significant numbers. The People's Court of Vientiane Capital prosecuted one criminal case of money laundering in 2018, with two additional cases still under investigation.

Laos' NCC has proven effective in coordinating AML/CFT work among various government agencies, including the Bank of Lao PDR, Ministry of Public Security, the Office of the Supreme People's Prosecutor, and other law enforcement entities. With NCC support, AMLIO is conducting a multi-ministry outreach campaign designed to reach all 18 Lao provinces by the end of November 2018.

International cooperation on AML/CFT and asset forfeiture should be improved.

## **Liberia**

### **OVERVIEW**

The Government of Liberia has made some efforts to strengthen its AML regime, but significant challenges remain. The Central Bank of Liberia (CBL) does not robustly enforce AML requirements. While interagency coordination has improved, key stakeholders have not produced actionable financial intelligence, conducted systematic financial investigations, or secured financial crimes convictions. Generally, financial institutions have limited capacity to detect money laundering and their financial controls remain weak. Liberia's FIU is dramatically under-funded and lacks the institutional and technical capacity to adequately collect, analyze, and disseminate financial intelligence. These risk factors are compounded by Liberia's cash-based economy and weak border controls. Corruption remains endemic and Liberia remains vulnerable to illicit activities.

The Liberian government should seek to enhance the oversight authority of the CBL and provide additional resources to the FIU. Liberia should continue to work with international partners to ensure its AML laws, regulations, and policies meet international standards.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Smuggled goods enter Liberia through its porous borders. Illicit transactions are facilitated by Liberia's cash-based economy, with both Liberian and U.S. dollars recognized as legal tender.

Money exchange operations are poorly controlled, and there are numerous unlicensed foreign exchange sites and unregulated entities whose opaque activities raise concerns. Several money exchange entities facilitate hawala money transfers, which serve as an alternative remittance channel outside the formal banking system. Artisanal diamond and gold mines are largely unregulated and difficult to monitor, contributing to an enabling environment for illicit financial transactions. In general, the financial system is not sophisticated enough to detect cash flows from illicit activities.

The Liberia National Police (LNP), Liberia Drug Enforcement Agency, and National Security Agency have the authority to investigate financial crimes but are not effective in pursuing investigations and subsequent prosecutions. Liberia does not currently have functional FTZs. There are two registered casinos in the country, for which limited oversight is provided by the National Lottery Authority.

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

Liberian laws against money laundering and economic sabotage include the Anti-Money Laundering and Terrorist Financing Act of 2012; the New Penal Law, Title 26 of the Liberian Code of Law Revised; the Liberia Anti-Terrorism Act of 2017; the Targeted Sanctions Against Terrorists Act of 2017; and the Special Criminal Procedures for Offenses Involving Terrorists Act, also from 2017. The FIU Act of 2012, which establishes and governs the FIU's actions, is currently under revision.

In 2016, the FIU adopted three new AML regulations requiring declarations for all cross border transportation of currency exceeding U.S. \$10,000; CTRs for all transactions by individuals that exceed U.S. \$5,000 and by businesses over U.S. \$10,000; and STRs for any unusual or suspicious transactions. The FIU is currently updating its regulations to operationalize the Targeted Sanctions Against Terrorists Act.

In April 2018, Liberia's FIU conducted a workshop on a money laundering and terrorist financing national risk assessment (NRA) required for member states of the Economic Community of West African States, which will be implemented over the course of 18 months.

Liberia is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <https://www.giaba.org/reports/mutual-evaluation/Liberia.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Key challenges to developing a robust AML regime include the authorities' limited institutional capacity, including analytical capability and technical experience, to enforce regulations, investigate financial crimes and illicit money flows, and conduct successful prosecutions and asset recovery. To date, there have been no prosecutions or convictions for money laundering in Liberia.

Donors have been helping the government to build capacity and improve the operational effectiveness of the FIU to identify, analyze, and disseminate financial intelligence data; assisting the CBL in expanding on-site examination of domestic banks and non-bank financial institutions; and mentoring enforcement authorities in the development of financial crime cases.

The Liberian FIU is not a member of the Egmont Group.

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

The CBL has completed on-site AML/CFT risk-based examinations of all nine commercial banks in the past three years, and the AML/CFT unit conducts follow-up inspections in addition to off-site surveillance. The CBL also supervises commercial banks' implementation of KYC and CDD guidelines. However, the CBL has limited technical capacity to systematically monitor and enforce compliance. The CBL reported banks are gradually improving their compliance with the AML laws and regulations, but there is still much work to be done as banks have yet to conduct money laundering risk assessments of all their products, customers, delivery channels, and geographic locations.

The FIU shares its regulations and guidance on STRs and CTRs as well as information on cross-border transfers of cash with other agencies, including the Liberia Revenue Authority, the LNP, and the Liberia Immigration Services. The FIU is currently piloting a mechanism that would allow banks to electronically upload STRs and CTRs.

Money laundering investigations are hampered by limited capacity, political interference, corruption, lack of financial transparency, inadequate record-keeping, and weak judicial institutions.

## **Macau**

### **OVERVIEW**

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, includes offshore financial businesses such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to supervisory requirements similar to those of domestic institutions and oversight by Macau's Monetary Authority.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

With gaming revenues of \$33.2 billion for 2017, Macau is the world's largest gaming market by revenue. The gaming sector caters to three main customer types - premium players, junket players, and mass gaming players - and relies heavily on junket operators for the supply of wealthy gamblers, mostly from Mainland China. In addition to attracting those seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos unable to collect gaming debts on the Mainland where gaming is illegal. Asian organized crime groups, including triads, are active in the gaming services and involved in illegal activities such as drug trafficking. This mingling of licit and illicit activities, together with the anonymity gained through the use of a 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. Macau is likely both a transit point and an end destination for such funds.

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

Macau authorities continue their efforts to develop an AML framework that meets international standards. Macau has an interagency AML/CFT working group, which coordinates responses to identified risks. Macau's Law 2/2006 on the prevention and repression of money laundering crimes and Law 3/2006 on the prevention and suppression of the crimes of terrorism and CFT came into effect in 2006. These laws impose AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. The laws postulate STR requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Effective May 2017, laws 2/2006 and 3/2006 widen the scope of identifiable criminal offenses to include smuggling and

drug trafficking and strengthen CDD measures to identify and verify the identity of beneficial owners.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), requires all gaming and junket operators to keep records of large and/or suspicious transactions, CDD, and enhanced due diligence. Macau gaming supervisors have a good understanding of the risks posed by junket operators. Macau is taking a more stringent approach toward licensing and the supervision of junket promoters, which, in addition to acting as third party introducers, are also subject to enforceable AML requirements. This area is the subject of enhanced and renewed focus by DICJ. The number of licensed junket promoters has decreased from 225 in 2011 to 110 in 2018.

A new law on cross-border cash declaration and disclosure systems became operative on November 1, 2017. Travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately \$15,000 (120,000 pataca) or more now have to sign and submit a declaration form to the Macau Customs Service.

Macau is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/includes/handlers/get-document.ashx?d=7fdf27f1-b6eb-4865-88c6-ac3c157609ce>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Gaming entities are subject to threshold reporting for transactions over approximately \$62,640 (500,000 pataca) under the supplementary guidelines of the DICJ. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards.

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

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's foreign affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 UN Drug Convention (1999), the UNTOC (2003), and the UNCAC (2006).

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage smaller junket operators, who have weaker AML controls, to exit the market while encouraging the professional junket operators to further develop their compliance programs. Macau should enhance its ability to support international AML investigations and recovery of assets. Only a handful of money laundering convictions have been obtained in recent years.

In 2017, STRs received from the gaming sector accounted for 67 percent of the 3,085 reports filed. A total of 135 STRs were sent to the Public Prosecutions Office.

## Malaysia

### OVERVIEW

Malaysia is a highly open, upper-middle income economy with exposure to a range of money laundering threats. The country's porous land and sea borders, visa-free entry policy for nationals from over 160 countries, strategic geographic position, and well-developed financial system increase its vulnerability to domestic and transnational criminal activity, including fraud, corruption, drug trafficking, wildlife trafficking, smuggling, tax crimes, and terrorism finance.

Malaysia has largely up-to-date AML legislation, well-developed policies, institutional frameworks, and implementation mechanisms. The country has shown continuing progress in efforts to improve AML enforcement by investigating, prosecuting, and securing more convictions of money laundering. One key area for development is the prosecution of foreign-sourced crimes.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Malaysia is used primarily as a transit country to move drugs globally. Drug trafficking by Chinese, Iranian, and Nigerian organizations is a significant source of illegal proceeds. Malaysia is also a source, destination, and transit country for wildlife trafficking, with some contraband (i.e., ivory) used as currency by the trafficking networks.

Malaysia's third iteration of the National Money Laundering/Terrorist Financing Risk Assessment (NRA) was completed and endorsed by the National Coordination Committee in July 2018. The NRA identifies fraud, smuggling, corruption, drug trafficking, and organized crime as the top five high-risk crimes.

Money laundering methods used for terrorist financing include cash couriers, funds skimmed from charities, gold and gem smuggling, front companies and businesses. Illicit proceeds also are generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion. Smuggling of high-tariff goods also occurs. It is yet to be determined if the Sales and Services Tax (SST), established in September 2018, will lead to improved government control.

Malaysia has an offshore sector on the island of Labuan, which is subject to the same AML laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit STRs.

The large cash and informal economies and unauthorized MSBs continue to pose significant vulnerabilities. Bank Negara Malaysia (BNM) continues to take enforcement actions against unauthorized MSBs. In 2018, BNM raided four retail outlets suspected of providing MSB services in the city of Johor. BNM is promoting migration to formal MSB channels through digitalization and is working to enhance its own supervisory and regulatory capabilities.

Malaysia has Free Industrial Zones (FIZ), where manufacturing and assembly take place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. Currently, there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed. In 2017, Malaysia became the second country to launch a Digital FTZ.

The Ministry of Finance licenses and regulates the activity of casinos. Under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), the central bank periodically assesses Malaysia's one licensed casino for AML compliance.

Malaysia is a global leader in Islamic finance. Malaysia's national risk assessment includes the Islamic financial sector, and this sector is subject to the same AML legal and regulatory regime as the conventional financial sector. Based on their supervisory experience, Malaysian regulators believe there are no material differences in AML risks between Islamic and conventional institutions.

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

The AMLA covers the money laundering offense, reporting obligations, investigative powers, the forfeiture regime, and the cross-border declaration regime. Malaysia has comprehensive KYC and STR regulations.

Malaysia is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER is available at: <file:///C:/Users/default.default-PC/Downloads/Malaysia%20MER%202015%20-%20published%20version.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Malaysia has a high degree of technical compliance with international AML standards, but deficiencies remain. Malaysia should continue its efforts to target effectively high-risk offenses and foreign-sourced crimes. Malaysia has a national action plan focusing on these areas.

Because criminal AML cases and predicate offenses have separate investigators and prosecutors, combining investigations may lead to an increase in successful prosecutions. Malaysia has traditionally pursued other measures, particularly forfeiture, rather than money laundering prosecutions; however, its management and efficient disposal of seized assets remain challenges. Additionally, the actual penalties for money laundering have been low, and existing legislation could be used more effectively.

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

The new government (in office since May 9, 2018), with foreign assistance, has taken action to prosecute a number of former government officials, including former prime minister Najib Razak, who allegedly were involved in misappropriations from the state-owned development fund "1Malaysia Development Berhad." Other state-owned enterprises also have been subject to investigations of alleged corruption.



In 2017, Malaysia pursued 488 non-drug-related money laundering investigations and 1,713 drug-related money laundering investigations. In 2017, there were 88 money laundering convictions and 23 drug-related money laundering convictions. Although money laundering convictions remain low, the number of money laundering investigations opened have increased by approximately 50 percent and the number of convictions finalized have more than doubled compared to 2016.

Asset sharing is done on an informal basis, as there are no legal provisions.

## **Mexico**

### **OVERVIEW**

Illicit actors launder billions of dollars of drug trafficking proceeds through the Mexican financial system annually. Corruption, bulk cash smuggling, kidnapping, extortion, fuel theft, intellectual property rights violations, fraud, human smuggling, and trafficking in persons and firearms serve as sources of additional funds laundered through Mexico. Mexican authorities have had some success investigating and blocking accounts of suspected money launderers and other illicit actors but have shown extremely limited progress in successfully prosecuting money laundering and other financial crimes. Two Supreme Court rulings in 2017 will temporarily slow and complicate investigations into illicit financial activities.

Money laundering offenses continue as the government struggles to prosecute financial crimes and seize known illicit property and assets. To increase the number of illicit finance convictions, the government needs to combat corruption, improve its judicial capacity, and reform cumbersome asset forfeiture laws.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Illicit drug proceeds leaving the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations (TCOs) launder funds using a variety of methods. TBML involves the use of dollar-denominated illicit proceeds to purchase retail items for export to and re-sale in Mexico or the United States, and then routing the revenue from the sale of such goods to TCOs. TBML also includes over reporting exports, or reporting exports of merchandise that never existed or merchandise never exported, to justify the transfer of large sums of funds into Mexico's financial system.

Illicit actors in Mexico invest in financial and real assets, such as property, businesses, and luxury items. Money laundering through the luxury real estate sector remains a concern, especially as a vehicle for laundering the proceeds of public corruption. Two popular laundering methods include: structuring deposits, whereby criminals smuggle bulk amounts of U.S. dollars into Mexico to deposit into bank accounts in small, structured increments; and funnel accounts, whereby cash deposits into multiple accounts in the United States are funneled into a single account and wired to Mexico, where they are then rapidly withdrawn. Asian money launderers

continue to compete with the traditional Mexican launderers conducting “mirror transactions” more efficiently and at a lower cost than the traditional Mexican launderers. Narcotics-related proceeds are also laundered through unlicensed exchange houses, although Mexico’s main banking regulator, the National Banking and Securities Commission (CNBV), issues regulations and has a special unit to curtail the number of unlicensed exchange houses in operation.

Mexican authorities have increasingly been monitoring the potential for criminal exploitation of financial technology, including convertible virtual currencies like bitcoin.

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

Mexican AML law criminalizes money laundering using an “all serious crimes” approach and covers legal persons criminally and civilly. CDD rules cover most financial sector entities. Beginning in April 2018, CDD rules also cover financial technology institutions (FTIs). The CNBV will now regulate FTIs involved in electronic payments, exchanges of virtual assets, and virtual currencies. Critics argue the FTI law’s secondary regulations allow for additional money laundering vulnerabilities because they went too far in liberalizing financial markets for FTIs.

Mexico is a member of both the FATF and GAFILAT, a FATF-style regional body. Mexico’s most recent MER is available at: [www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

In October 2017, the Supreme Court ruled the FIU’s freezing of accounts violates constitutional protections under the law and due process rights. A subsequent decision in November 2017 further curbed the FIU’s ability to present financial records during court proceedings, mandating only records obtained by court order would be admissible. In response to the rulings, several high-profile affected entities have filed cases in Mexican federal court to have their accounts unfrozen and cases dismissed, including known money launderer Alvaro Garduño Montalvo. Law enforcement and judicial authorities have struggled to investigate and prosecute financial crimes and these rulings may result in additional case dismissals until a legislative or procedural fix is implemented. It is too soon to tell how the incoming administration will handle FIU operations, but transition officials have indicated plans to work with the judiciary and legislature to resolve these obstacles.

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

Although authorities recognize the abuse of certain sectors by money launderers, law enforcement responses are limited by corruption, lack of judicial capacity, and cumbersome asset forfeiture laws. The FIU has not yet published the number of convictions for 2017 but according to the incoming administration’s FIU Chief-designate, there were only 22 convictions.

The relative lack of money laundering convictions on money laundering cases is representative of the high rates of impunity in Mexico. Currently, Mexico has one federal judge and two prosecutors assigned to prosecute money laundering offenses for the entire country. The 2016

transition to an accusatorial judicial system is expected to improve Mexico's prosecution rates over the medium to long term. Draft civil asset forfeiture legislation remains under consideration in the Mexican Congress of the Union and would enable law enforcement agencies to more easily seize illicit proceeds, thereby making it more difficult for illicit finance actors to deposit and invest these funds in Mexico's financial system. Corruption in the judicial system, however, impedes the government's ability to convict organizations and individuals involved in money laundering.

## **Morocco**

### **OVERVIEW**

Morocco continues to strengthen its AML regime, making strides in risk management, information sharing, and streamlining implementation. Morocco's 2016 AML/CFT national risk assessment (NRA), though limited in scope, incorporated all reporting entities and is expected to lead to the development of a national AML strategy.

Money laundering vulnerabilities in Morocco stem from a large informal sector, the prevalence of cash-based transactions, a high volume of remittances, and international trafficking networks. Morocco is an integration point for illicit drug money into the legitimate economy, with hundreds of millions of euros laundered through Morocco yearly. Although exact figures are unavailable, a large percentage of this money is believed to be linked to the hashish trade.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The informal business sector and Moroccans' tendency to transact in cash present regulatory challenges. The Moroccan Central Bank (BAM) reported the ratio of the informal economy to GDP averaged 31 percent between 2007 and 2016.

Since its launch in July 2017, Islamic banking in Morocco has grown and could have a market share of 10 percent by 2022, with growth mostly from new customers. BAM and the telecommunications regulator are now launching mobile banking to encourage electronic (and more easily traceable) payments.

Money transfer services present a money laundering vulnerability due to their volume. Annual remittance transfers rose 5.7 percent to \$66.1 billion in 2017. The majority of transfers originate in Europe. The Financial Intelligence Processing Unit (UTRF), the FIU, now requires transfer operators to collect identification information on both senders and recipients abroad.

Morocco's geographical location as a gateway to Europe makes it an attractive conduit for smuggling, human trafficking, and illegal migration. The anti-trafficking in persons law seeks to deter trafficking and money laundering with heavy sentences for offenders and a broad definition of trafficking to include anyone who gives or receives payments or benefits related to trafficking. Unlawful trade in Moroccan-grown cannabis and, increasingly, the trafficking of cocaine from

Latin America to Europe via Morocco also generate illicit profits. Investments in real estate, and to a lesser extent jewelry and vehicles, are mechanisms to launder drug proceeds.

An interagency commission chaired by the Ministry of Finance regulates Morocco's seven FTZs. The FTZs allow customs exemptions for goods manufactured in the zones for export abroad. Currently, there are six offshore banks located in the Tangier FTZ, the only FTZ with offshore banks. The UTRF has reported suspicions of money laundering activity through the Tangier FTZ.

International casinos are another vehicle through which money enters and exits Morocco without currency control restrictions. At a Moroccan casino that is part of a multi-national business, one can establish an in-house account, which can receive money from any casino in the world where an individual has an account. There are no limits on the amount of money transferred into or out of Morocco by this method. There are at least two such casinos in Morocco, and the extent to which this transfer method is used to launder illicit drug proceeds is unknown. Moroccan casinos that are not part of an international consortium cannot establish in-house accounts.

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

The UTRF continues to update policies, improve capacity, and promote coordination. Morocco has key AML laws and regulations in place, including KYC programs and STR procedures. High-risk customers/transactions are scrutinized under Morocco's AML law and Central Bank Circular No. 2/G/2012.

In 2015, the government passed Law 114-13, which offers benefits for informal sector workers to register as "self-employed" small businesses and requires them to pay taxes. More than 61,000 entrepreneurs had registered by February 2018.

Morocco is a member of the MENAFATF, a FATF-style regional body. The most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-kingdom-morocco>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The real estate market, art and antiquities dealers, and vendors of precious gems were included in the NRA process. Most non-financial sectors, including notaries and accountants, do not appear to pose significant risks, according to the UTRF.

The money laundering offense is only considered a misdemeanor under Moroccan law.

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

Morocco works closely with international partners to strengthen its AML regime. Morocco has implemented applicable multilateral agreements and has voluntarily initiated exchanges with private sector partners to address key vulnerabilities.

While the BAM has supervisory authority to ensure compliance with banking regulations, the UTRF plays a vital role as the recipient of STRs. The UTRF also assesses systemic risk, disseminates information to financial entities, and regularly communicates with banks, other financial entities, and government authorities to facilitate information sharing, capacity building, and coordination.

The extent to which financial intelligence is used by law enforcement to identify money laundering activity or enhance ongoing predicate investigations to trace proceeds or recover assets is unclear. The UTRF refers some information to law enforcement, including the Royal Public Prosecutor, but use of this information to conduct financial investigations and pursue money laundering investigations appears infrequent. Prosecutions and convictions for money laundering are low in relation to the large number of predicate crimes that occur and are pursued by authorities.

In January 2018, the UTRF held a workshop on typologies and joint capacity with regional partners.

## **Mozambique**

### **OVERVIEW**

Money laundering in Mozambique is driven by cases of misappropriation of state funds, kidnappings, human trafficking, narcotics trafficking, and wildlife trafficking. With a long and largely unpatrolled coastline, porous land borders, and a limited rural law enforcement presence, Mozambique is a major corridor for the movement of illicit goods, with narcotics typically trafficked through Mozambique to South Africa or on to further destinations, such as Europe.

Although the Attorney General's Office (PGR) and Bank of Mozambique (BOM) have shown a willingness to address money laundering and the Government of Mozambique has taken steps to improve the legal framework, attorneys, judges, and police lack the technical capacity and resources to combat money laundering successfully. Mozambique would also benefit from better collaboration and information sharing AML enforcement institutions.

Former Mozambican Finance Minister Manuel Chang, two unnamed Mozambicans, three ex-Credit Suisse bankers, and two others were indicted by a New York federal court for money laundering and other crimes committed using the U.S. financial system in relation to Mozambique's \$2 billion hidden debt scandal. Chang was detained in South Africa on December 29, 2018, under a U.S. extradition request. Although the PGR referred 17 individuals, including Chang, to the GRM's highest audit institution in January 2018 to mete out financial penalties related to the \$2 billion in illicit debt, the PGR's investigation resulted in no criminal charges in 2018. Lax oversight of government borrowing creates opportunities for misappropriation of state funds and the potential for money laundering to hide ill-gotten assets.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

International criminal syndicates play a prominent role in illicit activities in Mozambique, with South Asian narcotics syndicates trafficking opiates and East Asian criminal organizations engaging in wildlife poaching, illegal timber harvesting, and the transshipment of elephant ivory and rhino horns.

Authorities believe proceeds from these illegal activities finance commercial real estate developments, particularly in the capital. Although money laundering in the official banking sector is a serious problem, it is conducted primarily through informal markets by foreign currency exchange houses, cash smugglers, and hawala brokers. Unlike the financial sector, the real estate sector lacks a regulatory body, which makes it more susceptible to money laundering.

Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail sector in most parts of the country. Although there are three FTZs in Mozambique, there is no known evidence they are tied to money laundering.

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

Law 14/2013 and decree regulation 66/2014 provide additional tools and authority to combat money laundering and terrorism finance in Mozambique. This law and its implementing regulations allow the authorities to freeze terrorist assets and enter into mutual legal assistance agreements for terrorism finance cases. The law also criminalizes terrorism finance, specifies evidence collection procedures, and allows for the seizure of documents. Mozambique has KYC provisions, and STRs are analyzed and flagged by the FIU and distributed to relevant investigative bodies. Regulations also require enhanced due diligence for PEPs. The BOM places AML obligations on local banks.

Mozambique is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [http://www.esaamlg.org/index.php/Mutual\\_Evaluations/readmore\\_me/12](http://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/12).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Although Mozambique has made steady progress establishing a legal framework that supports money laundering investigations, implementing agencies require access to more robust human resources, and financial and technical resources to investigate and prosecute money laundering and financial crimes cases effectively. The government has attempted to address this deficiency with money laundering content in its police academy training programs and through donor-supported seminars designed to build awareness of money laundering crimes.

The FIU has expressed interest in joining the Egmont Group and has implemented many of the physical and information systems measures needed to become a member; however, it is still waiting for the Council of Ministers' approval to apply for membership.

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

Mozambique has demonstrated progress in enforcement of its AML laws and implementing regulations. The Criminal Code allows the confiscation of money in financial institutions where

there is evidence the funds are linked to a crime. During 2017, the Attorney General initiated 40 criminal cases related to money laundering, an increase of 24 from 2016. Most of the cases dealt with tax evasion, drug trafficking, and the illegal exploitation of forest resources. The PGR has noted the need for better technology and specialized human resources to analyze data and accounting information. The BOM fined multiple banks in 2018 for failing to comply with AML/CFT regulations.

The United States and Mozambique are in the early stages of establishing records-exchange procedures. The U.S. Drug Enforcement Administration opened an office in Mozambique in 2017 and is developing mechanisms to facilitate future information sharing on money laundering and narcotics cases. Additionally, the FIU has signed information-sharing MOUs with several FIUs in the region.

Mozambique became a member of the Asset Recovery Inter-Agency Network for Southern Africa (ARINSA) in 2017, which supports investigators and prosecutors in sharing information to identify, track, and seize criminal assets.

## **Netherlands**

### **OVERVIEW**

The Netherlands is a major trade and financial center and, consequently, an attractive venue for laundering funds generated from illicit activities, including those related to the sale of drugs. A government-commissioned study presented November 5, 2018 estimated around \$18.2 billion is laundered annually in the Netherlands.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands: Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands; Aruba, Curacao, and St. Maarten are autonomous countries within the Kingdom. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Financial fraud, especially tax evasion, and drug trafficking are believed to generate a considerable portion of domestic money laundering activity. There are indications of syndicate-type structures involved in organized crime and money laundering. Few border controls exist within the Schengen Area of the EU, although Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to minimize smuggling. Hawala-style underground remittance systems operate in the Netherlands. Criminal networks increasingly operate online and use virtual currencies to facilitate illegal activity.

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

The Dutch FIU is an independent, autonomous entity under the National Police Unit. The Anti-Money Laundering Center, established in 2013, combines participants from government agencies

(e.g., the FIU, the Fiscal Information and Investigative Service, the police, and the public prosecution service) as well as the private sector, to share knowledge and coordinate AML efforts. Seizing and confiscating proceeds of crime is a high priority for Dutch law enforcement.

The Netherlands implemented the Fourth EU Anti-Money Laundering Directive on July 25, 2018, which improved client due diligence requirements, among other things. A law to create a registry listing the ultimate beneficial owners (UBO) of companies and legal entities is scheduled to be presented to Parliament in 2019. The proposed UBO registry would operate under the Chamber of Commerce.

Dutch law has comprehensive KYC and STR regulations, which apply to many actors in the financial sector. Every three years, the government commissions an external assessment of its AML policy.

Law enforcement cooperation between the Netherlands and the United States is good; the existing MLAT allows for the exchange of records in connection with narcotics investigations.

The Netherlands is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The Netherlands continues to make progress in addressing identified deficiencies. No significant technical deficiencies in the regulatory regime were identified. The magnitude of money laundering, however, remains a concern. A government-commissioned study released November 5, 2018 estimates \$18.2 billion is laundered annually in the Netherlands, with \$10.4 billion coming from abroad.

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

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) on transactions that could be connected with money laundering. The FIU analyzes UTRs to determine if they are “suspicious,” denoting a greater likelihood of money laundering, and forwards them to law enforcement for criminal investigation, at which point they become classified as an STR. Intelligence is not systematically shared with law enforcement. Law enforcement only has access once a legal determination of suspicion has been made. The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold. Instead, different thresholds apply to various specific transactions, products, and sectors.

On September 4, 2018, the Dutch Prosecutor’s Office (OM) announced it had reached a settlement with Netherlands-based ING Bank for approximately \$888 million (€775 million). The OM accused ING of failing to prevent hundreds of millions of dollars of money laundering and violating the Dutch AML/CFT Act. The penalty is the largest AML enforcement action to date by authorities in Europe.



## Nicaragua

### OVERVIEW

The Republic of Nicaragua is not a regional financial center, but remains vulnerable to money laundering as it continues to be a transit country for illegal narcotics. The current socio-political crisis, law enforcement corruption, and deterioration of democratic institutions increase opportunities for financial abuses and other crimes.

Nicaragua made technical progress in addressing numerous recommendations to improve its AML/CFT framework. In July 2018, the government passed two AML/CFT laws.

Newly enacted laws and regulations ostensibly bring Nicaragua closer to international standards; however, the politicization of the police and increased corruption across key enforcement institutions compromise the laws' effectiveness.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering methodologies facilitate government corruption or international organized crime groups' trafficking of illegal narcotics, mostly cocaine. Nicaragua's geography and limited border control in remote regions leaves it vulnerable to cross-border movement of contraband and criminal activity. Money laundering also occurs via traditional mechanisms such as real estate transactions, sale of vehicles, livestock farming, money transfers, lending, and serial small transactions.

There is evidence of informal "cash and carry" networks for delivering remittances from abroad. Subject matter experts believe the black market for smuggled and stolen goods in Nicaragua is larger than officially recognized. Market vendors deal in cash. The existence of multiple, nontransparent, quasi-public businesses that manage large cash transactions and have ties to the ruling party, and the proliferation of shell companies, increase the country's vulnerability to money laundering. Many of these companies are subsidiaries of state-owned conglomerate Albanisa, co-owned by the Nicaraguan state-owned oil company Petroleum of Nicaragua S.A. (49 percent) and the Venezuelan state-owned petroleum firm, Petroleum of Venezuela S.A (51 percent).

The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for visa-free movement of citizens of these countries across their respective borders; however, these persons can be subject to immigration or customs inspections. Nevertheless, this agreement makes each participating country vulnerable to the cross-border movement of contraband and criminal proceeds.

There are 228 companies, primarily involved in manufacturing goods for export, operating under FTZ status in Nicaragua.

Increased corruption and the lack of independence across government institutions, including the Financial Analysis Unit (UAF), the FIU, are of concern. On October 4, 2018, FinCEN issued an advisory warning U.S. financial institutions of the increasing risk that proceeds of Nicaraguan political corruption may enter or pass through the U.S. financial system.

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

The Nicaraguan regulatory framework includes records exchange mechanisms with other nations. Covered entities follow comprehensive KYC and STR regulations and reporting procedures, and have in place enhanced due diligence procedures for domestic and foreign PEPs. Criminalization of money laundering predicate crimes employs the “all serious crimes” approach and all legal persons are subject to criminal liability.

In July 2018, the government passed two AML/CFT laws, Law 976 and Law 977. The new laws and regulations provide larger responsibilities to the UAF, including granting access to private information gathered by eight government institutions. The laws also broaden the reporting entities to include real estate agencies, car dealerships, fiduciary services and certified public accountants. Although NPOs are not reporting subjects, the law provides leeway to include them in the future.

The new law mandates financial institutions to identify and keep records regarding the origin of funds and final beneficiaries, implement early detection systems, analyze suspicious activities, and report these activities to the UAF.

Nicaragua is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/content/images/GAFILAT-MER-Nicaragua-2017.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Public corruption is a serious problem in Nicaragua, exacerbated by the influence of foreign jurisdictions with a large business presence in the country. Nicaragua has not opened investigations on citizens sanctioned by the U.S. Department of Treasury under the Global Magnitsky Act for corruption. Nicaragua should address deficiencies in the rule of law and increasing concerns about corruption.

Identity falsification, counterfeiting, and piracy should be included in the legal framework as predicate offenses for money laundering. Criminals that use these means to launder money are tried for lesser crimes without this classification.

Jurists, private sector entities, and civil society members state that, without autonomy and transparency, the larger responsibilities and unlimited and discretionary scrutiny powers granted to the UAF under recent amendments, transform financial regulation into a political tool used against government opponents. In August 2018, the government opened an investigation for alleged money laundering of the general manager and partner of a local television channel that

covers protests against the government. In September 2018, a high profile democracy activist was charged with terrorist financing related to his support of peaceful civil society actors.

Nicaragua applied for Egmont membership in 2014 and the application remains pending.

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

In 2018, the Government of Nicaragua reportedly conducted 12 investigations, 11 prosecutions of money laundering-related cases involving 26 people, obtained three convictions, and seized over \$12 million. A judge sentenced to 30 years in prison the alleged leader of an international gang for laundering \$1.5 million through real estate and other transactions.

Reporting entities' lack of confidence in the AML strategy will negatively affect enforcement results.

## **Nigeria**

### **OVERVIEW**

Despite the various measures taken by the Nigerian government to combat financial crimes, Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Nigeria has made concerted efforts in recent times to address some of the challenges it faces implementing its AML/CFT regime.

The Nigerian Financial Intelligence Unit (NFIU) is now independent of the Economic and Financial Crimes Commission (EFCC) and its Egmont Group membership has been restored. While systems exist for combating money laundering and associated predicate offenses, the Nigerian government must take steps to strengthen them and to institutionalize best practices in financial intelligence management, investigation, and prosecution.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Criminal proceeds laundered in Nigeria derive partly from foreign drug trafficking and other illegal activities. In Nigeria, money laundering occurs through real estate investment, wire transfers to offshore banks, deposits into foreign banks, round tripping (reciprocal sales of identical assets), jewelry, bulk cash smuggling, and reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds. Financial institutions in Nigeria engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency. The proliferation of cryptocurrency exchanges in Nigeria pose challenges for the investigation and prosecution of money laundering crimes.

Money laundering vulnerabilities include the weakness of the AML legal framework, inadequate identification procedures, and non-availability and lack of access to beneficial ownership information. Other vulnerabilities include the existence of porous borders and poor border controls; inadequate controls of cash and similar financial instruments; the informal economy;

the limited capacity of regulators, law enforcement agencies (LEAs), prosecutors, the judiciary, and the NFIU; and the lack of a central national criminal database.

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

The Money Laundering Prohibition Act 2011 (as amended), the Terrorism Prevention Act 2011 (as amended), and the Economic and Financial Crimes Commission Act 2004 are key AML/CFT laws. In the financial sector, the Central Bank of Nigeria, Securities and Exchange Commission, and National Insurance Commission have issued regulations, guidelines, and circulars to help financial institutions understand and comply with their respective obligations under the AML regime. Nigeria has KYC rules and STR regulations. Legal persons are covered criminally and civilly. Nigerian law also provides for enhanced due diligence for both foreign and domestic PEPs.

In 2018, Nigeria's House of Representatives passed the Proceeds of Crime Bill, which provides a legal and institutional framework for the confiscation, seizure, forfeiture, recovery, and management of assets, including instrumentalities used, or intended to be used in the commission of unlawful activities. The bill seeks to harmonize and consolidate the existing legal structure and to establish a central agency to manage forfeited assets and properties. The bill awaits concurrence by the Nigerian Senate, consideration by the Committee of the Whole House, and subsequent passage and transmission to the president for assent.

Nigeria is a member of the GIABA, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/n-r/nigeria/documents/mutualevaluationofnigeria.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Nigeria should establish a proportionate and dissuasive administrative sanctions regime.

The Company and Allied Matters Act should be amended to ensure the identification documents of all directors and shareholders are presented for all classes of registration, the beneficial ownership information of public companies is disclosed during registration, and a register of all beneficial owners is maintained.

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

In July 2017, the Egmont Group suspended the NFIU's membership following repeated failures to address concerns regarding the protection of confidential information and over concerns of the NFIU's lack of operational independence from the EFCC. Following Nigeria's adoption of legislation to establish the NFIU as an independent agency and efforts to improve data protection, in September 2018, the Egmont Group lifted the suspension and restored full membership rights to the NFIU.

The Special Control Unit Against Money Laundering regulates and supervises DNFBPs for compliance with the Money Laundering Prohibition Act 2011(as amended).

There is inadequate information dissemination among LEAs about money laundering cases. There is also inadequate understanding of the nature and extent of AML issues in the various sectors in the country.

The growing use of new technology and emerging financial tools has the potential to circumvent the management and mitigation of risk even before measures to do so can be fully enacted and regulated.

The National Identity Management Commission should, as a matter of urgency, fast track the harmonization of the existing disparate databases, especially the Bank Verification Number database, the Independent National Electoral Commission database, and the Immigration and Drivers' License database.

## **Pakistan**

### **OVERVIEW**

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband to overseas markets. Significant money laundering predicates in the country include tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorist financing. The black market, informal financial system, and permissive security environment generate substantial demand for money laundering and illicit financial services.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering affects both the formal and informal financial systems. The largely unregulated Pakistan-Afghanistan border facilitates the flow of illicit goods and monies into and out of Pakistan. Due to their distance from urban centers and the lack of comprehensive oversight, border regions – such as the areas near the Chaman and Torkham border crossings – experience illicit financial activity by terrorist organizations and insurgent groups. In fiscal year 2018, the Pakistani diaspora remitted \$19.6 billion to Pakistan via the formal banking sector. Though it is illegal to run an unlicensed hawala or hundi operation, the practices remain prevalent due to a lack of access to the formal banking sector, poor supervision and regulation, and a lack of effective penalties. Unlicensed hawala/hundi operators are common throughout the broader region. While much of the money is used for legitimate purposes, the unlicensed hawala/hundi operators are widely used to transfer and launder illicit money through neighboring countries.

Common money laundering vehicles include fraudulent trade invoicing, MSBs, and bulk cash smuggling. Criminals exploit import/export firms, front businesses, and the charitable sector. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be poorly documented and cash-based.

Additionally, the Altaf Khanani money laundering organization (Khanani MLO) is based in Pakistan. The group, designated a transnational organized crime group by the United States in 2015, facilitates illicit money movement globally and is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers third-party money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with designated terrorist organizations.

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

In 2015, Pakistan issued its National Action Plan (NAP), primarily addressing CFT. Despite frequent calls by the international community for the plan's implementation, the NAP remains largely non-operational, and authorities lack the institutional capacity and political will to implement it. Although the new Pakistan Tehreek-e-Insaf government has promised to implement the NAP, work has not advanced since the election. Pakistan agreed in June 2018 to implement an action plan to correct noted deficiencies in its AML/CFT regime.

The United States and Pakistan do not have a MLAT but are parties to multilateral conventions that include provisions for assistance. Extradition between the United States and Pakistan is governed by the 1931 United States-UK Extradition Treaty.

Pakistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Pakistan's Financial Monitoring Unit (FMU), Pakistan's FIU, forwards a limited number of STRs to Pakistan's Federal Investigation Agency (FIA), one of the federal agencies with jurisdiction to investigate money laundering. The FIA lacks the capacity and resources to pursue sophisticated financial investigations and high-level targets. To date, there are no known successful prosecutions under Pakistan's 2010 Anti-Money Laundering Act.

Pakistan's FMU is not a member of the Egmont Group, but has expressed an interest in becoming a member.

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

Authorities have failed to implement adequate control measures at borders and airports, facilitating bulk cash smuggling and unlicensed MSBs. Moreover, the staff of Pakistan's national airline have been involved in bulk cash smuggling.

The government has taken steps to improve technical compliance with international AML standards; however, implementation deficiencies remain. Pakistani authorities should demonstrate interagency coordination to investigate and prosecute money laundering (in addition to the predicate offense). The government should demonstrate effective regulation over

exchange companies; implement effective controls for cross-border cash transactions; develop an effective asset forfeiture regime; and establish a formal regime and central authority for receiving and transmitting international requests for mutual legal assistance in criminal matters. Pakistan should design and publicly release metrics that track progress in combating money laundering, such as the number of financial intelligence reports received by its FMU and the annual number of money laundering indictments, prosecutions, and convictions. Law enforcement and customs authorities should address TBML and value transfer, particularly as they form the basis for account-settling between hawaladars.

The current government has promised to pursue funds untaxed or illicitly taken from Pakistan and held abroad. In September 2016, Pakistan signed the OECD Convention on Mutual Administrative Assistance in Tax Matters. Tax officials began to use the convention to seek financial information from OECD treaty signatories in January 2018, and automatic information exchange began in September 2018.

From April 10 to July 31, 2018, the government offered individuals a tax amnesty if they declared previously undisclosed local and foreign assets to the Pakistan Federal Board of Revenue. The government reported some 70,000 individuals took advantage of the program.

## **Panama**

### **OVERVIEW**

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics hub; and favorable corporate and tax laws render it attractive for exploitation by money launderers. Panama passed comprehensive AML legal reforms in late 2015. In October 2018, the OECD designated three residence-by-investment schemes in Panama as high-risk for offshore tax evasion. High-profile money laundering investigations, including the U.S. Treasury's 2016 designation of the Waked Money Laundering Organization, the "Panama Papers" leaks linked to Panamanian law firm Mossack Fonseca, former President Ricardo Martinelli's 2018 arrest and extradition, and the numerous offshoot investigations linked to bribes paid to public officials by Brazilian construction giant Odebrecht have intensified scrutiny of Panama's money laundering vulnerabilities.

Panama has demonstrated an increased commitment to fiscal transparency by becoming a signatory to the OECD bilateral Common Reporting Standards in January 2018, and through its participation in the Convention on Mutual Administrative Assistance for Tax Matters.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundered in Panama primarily comes from illegal activities committed abroad, including drug trafficking, tax crimes, and smuggling of people and goods. Panama is a drug transshipment country due to its location along major trafficking routes. Numerous factors continue to hinder Panama's fight against money laundering, including lack of capacity to identify bulk cash shipments, inexperience with money laundering investigations and

prosecutions, inconsistent enforcement of laws and regulations, corruption, and an under-resourced judicial system.

Criminals launder money via bulk cash smuggling and trade at airports and seaports, through shell companies, casinos, cryptocurrencies, and the 12 active FTZs. Smuggling through various ports may be facilitated by corruption. There is a high risk that legal entities and arrangements created and registered in Panama, such as corporations, private foundations, and trusts, are misused to launder funds, especially those generated from foreign predicate crimes. Law firms and registered agents are key gatekeepers and are subject to mitigation measures; however, the use of nominee shareholders and directors is still prevalent.

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

Panama has improved its compliance with international standards for AML prevention, enforcement, and cooperation. Panama has comprehensive CDD and STR requirements. Enacted in 2015, Law 23 criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. The *Intendencia* oversees the AML compliance of over 12,000 DNFBPs across 11 broad sectors, including the Colon Free Zone (CFZ), the second largest FTZ in the world. In May 2017, the banking supervisory and regulatory authority assumed oversight of MSBs and remitters (previously supervised by the *Intendencia*).

In 2017, Panama's National Commission on AML/CFT published its first national risk assessment, which identifies FTZs, real estate, construction, lawyers, and banks as "high risk" sectors. Subsequently, Panama released a supplemental National Strategy Report, which outlines 34 strategic priorities across five functional pillars to be pursued by 17 governmental institutions to improve its AML/CFT regime through 2019.

Panama is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-panama-2018.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

As of yearend 2018, Panama does not yet criminalize tax evasion nor list it as a predicate offense for money laundering. In January 2018, the Varela administration presented a bill to the National Assembly to address this issue. In October 2018, the bill was approved at the first debate. The bill is expected to be signed into law in early 2019.

The government has increased resources devoted to financial and non-financial sector regulators. However, Panama lacks sufficient resources, including trained staff to effectively monitor whether entities, particularly DNFBPs, comply with reporting requirements. The government needs to enhance training activities, develop manuals, disseminate guidelines, and organize feedback sessions with reporting entities to improve the quality and levels of STR/CTR reporting, particularly among high-risk sectors. Regulators still cannot access STRs/CTRs due to confidentiality laws, but may interface with the FIU in person on particular matters.



Bank compliance officers often include minimal analysis in STRs, fearing liability; some notify clients and/or bank executives and directors about investigations despite Panama's tipping off law that criminalizes such acts.

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

Panama transitioned to an accusatory justice system in September 2016. However, law enforcement and judicial entities still lack experience and effectiveness under the new system, and a lack of coordination between these entities has resulted in few successful investigations, prosecutions, and convictions. Panama needs to demonstrate it is providing financial investigative training to law enforcement and prosecutors and is prioritizing financial investigations beyond cases related to drug trafficking.

Panama does not accurately track criminal prosecutions and convictions related to money laundering. Law enforcement needs more tools and protection to conduct long-term, complex investigations, including undercover operations. The criminal justice system remains at risk for corruption.

The Financial Analysis Unit (UAF), Panama's FIU, needs to demonstrate that STRs/CTRs are used to identify leads for illicit finance investigations, and that its reports are efficiently shared with law enforcement authorities, who in turn need to demonstrate that this information is used to investigate and prosecute money laundering and other crimes. In addition, elevating the UAF to independent agency status would further insulate it from outside influence.

The CFZ still remains vulnerable to illicit financial and trade activities, due to weak customs enforcement and limited oversight of transactions.

## **Paraguay**

### **OVERVIEW**

Paraguay continues a strong trajectory of economic growth, outpacing regional neighbors. The Tri-Border Area (TBA), comprised of the shared border areas of Paraguay, Argentina, and Brazil, is the center of a multi-billion dollar illicit goods trade, including marijuana cultivation, the trafficking of Andean cocaine, and arms smuggling, that facilitates significant money laundering in Paraguay. The Government of Paraguay has worked to reduce the criminal use of Paraguay's financial system to launder illicit proceeds by taking steps to address corruption, eliminate bureaucratic inefficiencies, and enhance interagency coordination. The current presidential administration has renewed Paraguay's focus on these efforts, with strong early results.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering occurs in the formal and informal financial sectors and in DNFBPs. Vulnerabilities include a large number of unregistered exchange houses; a primarily cash-based

economy in the TBA and along the border; the use of false or borrowed names to register businesses; lax regulation of import-export businesses and casinos; weak border controls; corrupt, overwhelmed, or untrained government agents; and insufficient oversight of a high volume of money transfers to Lebanon and China.

Transnational and local criminal organizations continue to take advantage of largely informal economies and lax border controls in the TBA and other border towns to engage in TBML, narcotics and arms trafficking, goods smuggling and counterfeiting, and document forgery. Criminal organizations disguise the laundering of proceeds from these activities in the high flow of goods sold into Brazil from Paraguay, often with the assistance of corrupt government officials.

Paraguay operates two FTZs in Ciudad del Este but does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina, Brazil, Chile, and Uruguay.

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

Paraguay established the National Secretariat for Asset Forfeiture (SENABICO) in 2018. With 26 staff and an initial budget of \$713,000, SENABICO manages the administration of criminal activity-linked assets seized by the Attorney General's Office (AGO). As of December 2018, SENABICO was administering \$77.5 million in seized assets and \$83,000 in forfeited assets.

Due to a 2017 law, Paraguayan businesses previously registered under a bearer bonds structure must convert to declared ownership before the end of 2019.

Paraguay has KYC and STR regulations applicable to a wide range of entities. Paraguayan legislation covers legal persons and requires enhanced due diligence for PEPs, for whom the Anti-Money Laundering Secretariat (SEPRELAD) issued updated identification guidelines. SEPRELAD also notes many regulations need amendments to empower SEPRELAD's enforcement mechanisms and clearly establish a sanctions regime.

There is no bilateral MLAT between Paraguay and the United States; however, both are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/paraguay/documents/mutualevaluationofparaguay.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Paraguay struggles to investigate and prosecute complex money laundering cases within the statute of limitations, in part because of a disjointed AML regime, officials' lack of experience, judicial delays, and lack of interagency cooperation. While prosecutors previously treated SEPRELAD analytic reports as publicly releasable evidence, new leadership at SEPRELAD and the AGO worked to better protect intelligence therein. Though the Central Bank of Paraguay (BCP) has authority to inspect banks for money laundering compliance independent of

SEPRELAD, the sanctioning regime is not effective. To address these deficiencies, the new presidential administration is working to enhance planning and coordination on AML issues among government agencies. At the same time, the Paraguayan government continues work with international donors to improve its AML regime and implement its strategic plan.

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

Paraguay continues to take steps to implement international AML standards. During the first 10 months of 2018, Paraguay convicted three persons for money laundering, including two masterminds of the multi-million dollar Forex case. Paraguay arrested two individuals on U.S. money laundering charges, presented three cases for prosecution, and is investigating 38 additional cases (including the imprisoned former attorney general). The \$1 billion Megalavado case opened in 2014 remains an active investigation, but without indictments or convictions.

SEPRELAD is working with the BCP to improve coordination on and quality of STRs. As of October 2018, SEPRELAD had received 11,300 STRs and submitted 482 cases to the AGO. Of those submitted to the AGO, 79 percent lacked actionable financial intelligence information. The new leadership at SEPRELAD has improved STR quality dramatically since taking office in August 2018.

Paraguayan Customs continues to operate a TTU in partnership with the United States to combat TBML and other customs crime through the sharing and analysis of international trade data. In 2018, the TTU included a representative of the Taxation Secretariat, further enhancing information sharing and cooperation related to TBML investigations in Paraguay.

## **Peru**

### **OVERVIEW**

Billions of dollars in illicit funds from drug trafficking, illegal mining and logging, and other criminal activities continued to flow through Peru in 2018. The government of Peru estimates illegal mining alone produced over \$1 billion in illicit proceeds from January to August 2018.

The government took significant steps to further strengthen its AML laws and policies in 2018, including issuing new laws requiring companies to disclose beneficial owners, expanding oversight authorities over cooperative financial institutions, and establishing a civil asset forfeiture regime. Peru also began implementing its 2018-2021 National Plan to Combat Money Laundering (National AML Plan).

Nevertheless, Peru struggles to effectively enforce and implement its strong AML legal regime. Poor interagency coordination and information sharing impedes enforcement efforts. For example, the FIU should be able to share its reports with the police in addition to public prosecutors but is unable to do so due to current regulations. The government should increase efforts to ensure ministries and agencies share data and better coordinate their efforts on a day-to-day basis. Lack of expertise among police and prosecutors, high turnover, a dearth of experts

in forensic accounting, and corruption within the justice sector are among the factors hindering enforcement efforts. Peru particularly needs to develop a cadre of money laundering professionals in the justice sector.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Drug trafficking, illegal gold mining and logging, public corruption, and counterfeiting are the primary sources of illicit funds in Peru. State presence is limited outside of coastal areas and large population centers. Peru's challenging geography allows for the transit of large quantities of illegal goods, contraband, and cash across its borders and within remote areas. Pervasive corruption hampers investigations and prosecutions of narcotics-related money laundering crimes. Political figures and legislators have been implicated in money laundering, creating an impediment to progress on reform.

Individuals and organizations typically funnel illicit funds through front companies, many of which are engaged in illegal mining activities. International gold buyers who do not exercise due diligence in determining the source of their gold may unwittingly further money laundering activities. Individuals or front companies also launder illicit funds through real estate, financial institutions, money transfers, currency exchanges, crypto currency, and notaries.

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

Peru has a robust AML regulatory framework, including the Law for the Efficient Fight against Money Laundering and other Crimes Related to Illegal Mining and Organized Crime, which establishes money laundering as an autonomous crime and KYC and STR requirements. Regulations define and require enhanced due diligence for PEPs.

Peru further strengthened its AML framework in 2018 through new laws and regulations, which largely implemented Peru's National AML Plan. Key legal developments include: an ultimate beneficiary law requiring disclosure of beneficial owners, regulations extending the authority of the FIU and Supervisory Banking Authority over cooperative financial establishments, and requirements that certain property purchases of over approximately \$3,700 be conducted through the banking system. In addition, Peru approved a civil asset forfeiture law, which allows authorities to seize and dispose of assets in cases where the possessor cannot establish legal ownership. The new law allows authorities to immediately seize illicit funds rather than waiting for a criminal conviction, which was required previously.

The DEA joined in an MOU to form a Money Laundering Task Force, to include representatives from the DEA, Peruvian National Police, Peruvian Prosecutors, and FIU.

Peru is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available, in Spanish only, at: <http://www.fatf-gafi.org/countries/n-r/peru/documents/mutualevaluationofperu.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The regulatory framework is generally strong and the government is receptive to recommendations from donors and international experts regarding potential improvements. Peru should improve its interagency coordination, such as by amending the FIU's authorities outlined in Law 27693 to allow the FIU to send reports directly to the police in addition to public prosecutors.

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

Peru lacks investigative, prosecutorial, and judicial capacity to ensure gains made in strengthening the AML regulatory framework are reflected through increased prosecutions and convictions. High turnover of specialized prosecutors, poor training, a lack of expert forensic accountants, and corruption throughout the justice sector hinder enforcement efforts. From January to June 2018, Peru convicted 12 individuals for money laundering, setting Peru on course to exceed prior year conviction rates. Under the prior asset forfeiture system, Peru attained 14 sentences since January 2018. Implementation of the new civil forfeiture law will create new specialized courts, prosecutorial offices, and investigative units; however, the government did not provide additional funding for implementation. Justice sector operators also need capacity building related to the link between corruption and money laundering in public contracting, particularly as Peru prepares to handle large-scale corruption cases pertaining to the Odebrecht scandal.

Of increased concern is the lack of regulatory enforcement and effective oversight in the small-scale mining sector, which the authorities identified as a sector particularly at risk for funneling profits from the narcotics trade. For example, state-owned company Activos Mineros since 2012 has contracted to purchase gold from Minerales del Sur, Veta de Oro, and E&M Company, which are now under investigation for buying illegally-mined gold from small scale miners. The government struggles to implement its formalization policy to obtain greater oversight of the small-scale gold mining sector.

## **Philippines**

### **OVERVIEW**

The Philippines faces elevated AML/CFT risk due to its physical location within international trafficking routes, the high volume of remittances from Filipinos living abroad, the presence of terrorist organizations, and its regulatory vulnerabilities that were exploited by hackers in the 2016 Bangladesh Bank Heist. In response to these risks, the Philippine Anti-Money Laundering Council (AMLC) has led a government-wide effort to bring Philippine laws and regulations up to international AML/CFT standards. Under the well-regarded leadership at the AMLC, the government continues work to minimize risks in key areas (including the gaming sector and DNFBPs) and to build the capacity of law enforcement, prosecutors, and the courts in order to successfully prosecute financial crime cases.

The government must now demonstrate if these measures have reduced the potential for money laundering in the Philippines.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The Philippine government's 2017 national risk assessment identified tax crimes, drug trafficking, graft and corruption, investment scams, smuggling, intellectual property violations, environmental crimes, and illegal arms trafficking as the most prevalent predicate crimes for money laundering. The banking sector remains the primary avenue for money laundering followed by the gaming industry and (to a lesser extent) the securities/insurance sector, with proceeds frequently derived from criminal activity committed abroad. Criminal organizations have also used nonprofit organizations and dummy corporations as conduits for money laundering.

The production, trade, and consumption of illegal drugs continues to be a major concern in the Philippines. Due to its location as a regional gateway, the Philippines is a choice transshipment point for the distribution of illegal drugs through its various airports, seaports, and porous maritime borders. International syndicates frequently use local drug groups to facilitate domestic distribution and employ displaced Overseas Filipino Workers and willing individuals as "mules" in drug smuggling.

The Philippine Economic Zone Authority oversees approximately 300 economic zones, most of which are well regulated. However, local government units and development authorities regulate multiple other free zones or freeports where smuggling can be a problem. Due to separate authorities of the security and customs officials monitoring these zones, Philippine law enforcement faces difficulty targeting organizations operating within them.

## **KEY AML LAWS AND REGULATIONS**

Since its enactment in 2001, the Philippine Anti-Money Laundering Act (AMLA) has undergone numerous amendments, most recently in 2017, when the gaming industry was included as a covered sector.

The AMLA created the AMLC, which serves as the country's FIU and chief AML regulatory agency, to ensure covered persons and stakeholders comply with the AMLA. In 2018, AMLC took aggressive action to add at least 175 positions to its investigative, compliance, and financial intelligence/analysis staff; expand interagency training and coordination with law enforcement agencies; and issue regulations and guidelines related to banks, insurance companies, casinos, and DNFBPs. Additionally, in November 2018, President Duterte approved an executive order adopting a new National AML/CFT strategy and establishing a National AML/CFT Coordinating Committee, with AMLC as its secretariat, to facilitate interagency coordination on AML/CFT issues.

KYC, STR, and PEP provisions in the AML law and its implementing rules and regulations substantially meet international standards. In 2017, the central bank issued Circular 944, governing the operations and reporting obligations of the growing virtual currency exchange market.

The Philippines and the United States have a bilateral MLAT.

The Philippines is a member of the APG, a FATF-style regional body. Its most recent mutual evaluation is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Despite AMLC's significant efforts to implement regulations and bolster investigative staff, shortfalls beyond AMLC's control create deficiencies in the AML regime. For example, current legislation does not include real estate brokers and dealers in certain high-value items (such as automobiles, arts, and antiques) as covered persons. NPOs also largely fall outside of AMLA regulation, although the Securities and Exchange Commission is finalizing guidelines to strengthen regulation of this sector.

The high single-transaction reporting threshold for gaming transactions (\$100,000) and the exclusion of non-cash transactions from reporting requirements and junket operators as covered entities are also deficiencies in the current AML regime. Furthermore, proxy gambling by offshore players via telephone or the internet is legal. Regulators have worked to tighten regulations and procedures. However, administrative and technical capacity remain key to addressing the AML/CFT monitoring challenges posed by this rapidly growing gaming segment.

Money laundering is not a stand-alone criminal act in the Philippines and requires a predicate crime, creating a challenge for investigators targeting transnational criminal organizations. Tax evasion, the falsification of public documents, and non-currency forgeries are not listed as predicate offenses to money laundering. Furthermore, strict bank secrecy laws create barriers to timely access to bank information on the part of investigators.

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

The AMLC and other competent authorities and agencies recognize that improving effectiveness in the implementation of the AML/CFT rules and regulations requires further interagency efforts. In 2018, AMLC improved interagency coordination with law enforcement, intelligence units, and prosecutors through drafting (or renewing) memoranda of agreement and understanding. These efforts have led to the conviction of 10 individuals for money laundering crimes in 2018.

## **Russian Federation**

### **OVERVIEW**

Russia has developed a vast AML/CFT legal framework with Rosfinmonitoring, the FIU, at its center. Corruption, misappropriation and embezzlement of public funds, tax crime, and drug trafficking generate significant amounts of proceeds. There is a large shadow economy and cash is prevalent. Financial flows from illicit activity linked to Russia have threatened weak financial institutions in neighboring countries; however, criminal proceeds from Russia also make their

way to global financial centers, often through opaque shell companies. To shield Russian individuals and entities from the effects of financial sanctions, the Russian government softened some reporting requirements leading to a decrease in transparency.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Official corruption at all levels of government constitutes one of the largest sources of laundered funds.

Russia is a transit and destination country for international narcotics traffickers, particularly from Afghanistan. Criminal elements use Russia's financial system and foreign legal entities to launder money. Criminals invest in and launder their proceeds through securities instruments, virtual currencies, precious metals, domestic and foreign real estate and construction, pension funds, and luxury consumer goods.

Cybercrime remains a significant problem, and Russian hackers and organized crime structures continue to work together. Russia has continued to encourage domestic development of blockchain-based technologies and innovations. The Russian government does not yet have a consistent position on the regulation of virtual currency, which could be abused for money laundering purposes.

There is a large migrant worker population in Russia. Many remittances are sent through an informal value transfer system that may pose vulnerabilities for money laundering. Gaming is only allowed in specified regions. The FIU monitors casinos for AML/CFT compliance, while other agencies supervise other parts of the gaming sector. Online gaming is prohibited.

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

Russia's AML laws and regulations include the Federal Law on Combating Money Laundering and Terrorist Financing and numerous accompanying regulatory acts. Money laundering is criminalized in the Criminal Code of the Russian Federation. The Criminal Procedural Code provides a comprehensive set of rules, including those permitting international cooperation on money laundering investigations; and the Code on Administrative Offenses contains civil penalties for violations of AML controls. Russia has KYC and STR requirements in place.

Russia conducted a national money laundering risk assessment for 2017-2018. The key findings are publicly available.

Russia is a member of the FATF and two FATF-style regional bodies, MONEYVAL and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationoftherussianfederation.html>

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**



The United States and Russia are parties to a MLAT. Cooperation from Russia under the MLAT is primarily on child exploitation, violent crimes, and counterterrorism rather than financial crimes.

In July, the Finance Ministry unveiled the Comprehensive Russian Anti-Sanctions Plan, aimed at mitigating the impact of Western sanctions through various measures, including suspension of disclosure requirements with respect to sanctioned entities.

There is no corporate criminal liability for money laundering in Russia. A bill providing for such liability has been stalled in the Duma since 2015.

Changes to Russian law may have created vulnerabilities rather than closing them. For example, PEPs are subject to less stringent reporting requirements for foreign currency transactions. Certain entities are exempt from requirements to disclose beneficial ownership.

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

In September 2018, Russia started sharing financial information under the OECD's Multilateral Competent Authority Agreement, joining the international fight against tax evasion. In 2017, Rosfinmonitoring prevented the laundering of approximately \$3.4 billion (230 billion rubles) through the Russian banking sector and the embezzlement of more than approximately \$59 million (4 billion rubles) in public procurement. The Central Bank of Russia revoked 47 bank licenses in 2017 and 48 bank licenses as of November 2018, primarily for suspicious transactions.

Since the imposition of financial sanctions against Russian officials, Russian government websites have severely restricted publicly available data and now publish only a fraction of the information previously available.

## **St. Kitts and Nevis**

### **OVERVIEW**

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. Its economy is reliant on tourism and its economic citizenship program, and the jurisdiction has an offshore financial sector. Saint Kitts and Nevis is making progress in its AML regime.

The Financial Services Regulatory Commission (FSRC) (Saint Kitts Branch) is responsible for the licensing, regulation, and supervision of the non-bank financial sector in Saint Kitts. As of September 2018, the regulated entities supervised by the Saint Kitts Branch are two insurance managers, 52 trust and service providers, 15 domestic insurance companies, 11 MSBs, four credit unions, and one development bank.

The FSRC (Nevis Branch) is responsible for the licensing, regulation, and supervision of regulated persons and entities in Nevis that conduct fiduciary and international financial services

business. As of September 2018, the regulated entities supervised by the Nevis Branch are 18 insurance managers, one international bank, 53 registered agents/service providers, three international insurance brokers, five MSBs, and 326 international insurance companies. There is no recent information on the number of IBCs, limited liability companies, or trusts on either island.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

International experts have identified drug trafficking and fraud as the primary sources of illicit funds. Financial oversight of the offshore sector in Nevis remains challenging due to the strong secrecy and confidentiality laws covering IBCs and trusts. Bearer shares are authorized if the bearer share certificates are retained in the protected custody of persons or financial institutions authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer and the certificate's beneficial owner.

An individual is eligible for economic citizenship with a minimum real estate investment of U.S. \$200,000 or U.S. \$400,000 for each main applicant, or through a U.S. \$150,000 contribution to the Sustainable Growth Fund (SGF). The government uses SGF funds for economic diversification. Applicants must make a source of funds declaration and provide supporting evidence. International contractors conduct due diligence on applicants. Applicants also undergo vetting by the Joint Regional Communication Centre. Citizens of North Korea, Iran, and Afghanistan are prohibited from applying.

While the Gaming Board is responsible for the general regulatory and supervisory oversight of gaming in St. Kitts and Nevis, the FSRC has limited responsibilities for AML/CFT supervision of casinos.

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

The AML legislation is at the federation level and covers both St. Kitts and Nevis. Each island has the authority to organize its own financial structure and procedures. The Proceeds of Crime Act (POCA), the Anti-Terrorism Act, the Financial Services Regulatory Commission Act, the Financial Intelligence Unit Act, the AML and CFT regulations, and the financial services (implementation of industry standards) regulations are the key laws and regulations.

Saint Kitts and Nevis has KYC and STR regulations and enhanced due diligence for PEPs.

Saint Kitts and Nevis is considering the adoption of model POCA legislation created by the Regional Security System Asset Recovery Unit for countries in the Eastern Caribbean.

Saint Kitts and Nevis has an MLAT with the United States. In 2018, Saint Kitts and Nevis reported assisting foreign jurisdictions with money laundering investigations and in the identification of possible proceeds of crime.

Saint Kitts and Nevis is a member of CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-kitts-and-nevis-1/107-skn-3rd-round-mer/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

International experts have recommended improvement in the following areas: ensuring information is available in a timely fashion on all owners, partners, and beneficial owners of a partnership or company; and ensuring the availability of accounting information for such entities.

Nevis can form an IBC in less than 24 hours, and bearer shares are allowed, though “discouraged.”

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

While Saint Kitts and Nevis has helped foreign jurisdictions with money laundering cases, the country has not brought charges or prosecuted a money laundering case since 2015. The passing of an amended POCA or the model POCA legislation may reinvigorate this process.

In 2016, the FSRC issued the General Warning - Online Casino and Online Gaming stating that online gaming entities are illegal in Saint Kitts and Nevis.

## **St. Lucia**

### **OVERVIEW**

St. Lucia’s main sources of revenue are tourism and the offshore banking sector. St. Lucia is progressing with its AML regime.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

As of October 2018, the St. Lucia Financial Services Regulatory Authority (FSRA), the offshore sector supervisor, listed the following regulated entities on its website: 26 insurance companies, 17 credit unions, 14 international banks, 33 international insurance companies, and five MSBs.

St. Lucia reports drug trafficking as the primary source of illicit funds. St. Lucia’s geographic location and porous borders increase its risk of drug money laundering. Money laundering most commonly occurs through structured deposits and currency exchanges, or cash real estate transactions. St. Lucia identifies jewelry dealers, legal services, and NPOs as additional sectors vulnerable to money laundering activity.

There is one FTZ operating in Vieux Fort.

An individual can petition for St. Lucian citizenship through a minimum donation to the National Economic Fund of U.S. \$100,000 per applicant, U.S. \$165,000 for an applicant and spouse, or

U.S. \$190,000 for a family of up to four people. Other citizenship by investment options include a U.S. \$300,000 minimum purchase in real estate; a U.S. \$3.5 million investment for an individual, or U.S. \$6 million for more than one applicant, in an approved enterprise project; or a government bond minimum purchase of U.S. \$500,000 for an individual, U.S. \$535,000 for an applicant and spouse, or U.S. \$550,000 for a family of up to four people. Applicants must apply through a government-approved local agent. An in-person interview is not required. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process.

There remains a substantial black market for smuggled goods in St. Lucia, mostly gold, silver, and other jewelry, predominantly smuggled from Guyana. There is a black market in high-quality jewelry purchased from duty free establishments in St. Lucia by both local and foreign consumers. Monies suspected as derived from drug trafficking and other illicit enterprises are filtered into and washed through trading firms. TBML is evident in St. Lucia.

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

St. Lucia's main AML laws are the 2003 Money Laundering Prevention Act, the Proceeds of Crime Act, and the Anti-Terrorism Act.

St. Lucia has KYC and STR regulations. It also has enhanced due diligence for PEPs. The Eastern Caribbean Central Bank regulates onshore commercial banks in St. Lucia.

There is an MLAT between the governments of St. Lucia and the United States.

St. Lucia is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-lucia-1/110-saint-lucia-3rd-round-mer/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

St. Lucia is generally in technical compliance with international standards. U.S. law enforcement is increasingly concerned about the expansion of citizenship by investment programs due to the possibility of local corruption and the visa-free travel and ability to open bank accounts accorded these individuals.

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

From 2017 to 2018, St. Lucia charged 12 people with money laundering. For 2018, there were six cash forfeitures totaling approximately U.S. \$565,050 (1,527,068 Eastern Caribbean dollars). St. Lucia reports increased interagency cooperation, leading to an increase in the number of cash seizures and forfeitures.

Further AML/CFT awareness training is recommended to continue developing AML compliance and build on this progress.

## St. Vincent and the Grenadines

### **OVERVIEW**

Saint Vincent and the Grenadines continues to make progress with its AML regime. The FIU has a good reputation in the Eastern Caribbean and cooperates with the United States regularly. In December 2017, the country began a National Risk Assessment.

St. Vincent and the Grenadines' economy is dependent on tourism and its offshore financial services sector. There are no FTZs, economic citizenship programs, casinos, or internet gaming licenses. As of September 2018, Saint Vincent and the Grenadines reported four international banks, four international insurance companies, 14 registered agents, 94 mutual funds, 5,676 IBCs, 47 limited liability companies, and 85 international trusts. IBCs can be incorporated in less than 24 hours from receipt of application.

The Financial Services Authority (FSA) is the regulatory body with the mandate to supervise the offshore financial sector, and the FIU is the supervisory authority for DNFBPs.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Physical presence is not required for offshore sector entities and businesses, with the exception of offshore banks. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs, but not for IBCs conducting banking functions. The government requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody.

Saint Vincent and the Grenadines reports that drug trafficking, in particular marijuana, is the main source of illicit funds. The country is the Eastern Caribbean's leading producer of marijuana, and narcotics are transferred to speedboats at beaches on the leeward side or on uninhabited Grenadine islands. Couriers carry money through the airport, ports, or other points of entry. Sometimes, money remitters are used.

The country has made efforts against drug trafficking by imposing strict penalties. It is also engaged with the Regional Security System to coordinate border control issues and is developing its Coast Guard to cover the coastline. In December 2018, parliament passed legislation legalizing cultivation and use of marijuana for medical purposes.

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

Saint Vincent and the Grenadines has comprehensive AML legislation and regulations, including the 2017 Proceeds of Crime (Amendment) Act and the 2017 Anti-Money Laundering Terrorist Financing Code. Saint Vincent and the Grenadines has KYC and STR regulations. The 2014 Anti-Money Laundering and Terrorist Financing Regulations provide for enhanced customer due

diligence and ongoing monitoring for PEPs. In December 2017, the FIU revised its standard operating procedures regarding receipt, processing, and handling of sensitive information and requests. The main change requires financial analysts to process SARs.

Saint Vincent and the Grenadines uses its Mutual Assistance in Criminal Matters Act to share information with the United States.

Saint Vincent and the Grenadines is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-vincent-and-the-grenadines-1/116-svg-3rd-round-mer/file>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The Saint Vincent and the Grenadines government reports it is reviewing how to address gaps in the 2017 Anti-Money Laundering and Terrorist Financing (Amendment) Regulations. The country is also considering a bill that would regulate DNFBPs to address noted deficiencies.

Saint Vincent and the Grenadines should become a party to the UNCAC.

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

Saint Vincent and the Grenadines reports that DNFBPs are a focal point for enforcement and implementation. To that end, the country drafted a DNFBP Action Plan for 2019. In August 2018, the FIU appointed a supervisor with the responsibility of overseeing DNFBP compliance.

In February 2018, the FSA, FIU, and Eastern Caribbean Central Bank (ECCB) signed an MOU to facilitate collaboration, exchange of information, onsite examinations, and training. In July 2018, the ECCB performed two onsite evaluations of the AML/CFT program.

For 2017 to 2018, Saint Vincent and the Grenadines reported four money laundering charges and three convictions. The fourth case has not yet been heard by the High Court.

## **Senegal**

### **OVERVIEW**

Senegal serves as a regional business center for Francophone West Africa and hosts the headquarters of the Central Bank of West African Countries (BCEAO) for the eight-member West African Economic and Monetary Union (UEMOA). No major changes in money laundering trends emerged in 2018. Senegal's most important vulnerabilities to money laundering are bank transfers to offshore accounts in tax havens and real estate transactions conducted with cash. Senegal is exposed to risks from organized crime, drug trafficking, internet fraud, bank and deposit fraud, and Ponzi schemes. Corruption is a significant concern within government institutions and the private sector. Traffickers exporting illegal wildlife have

sophisticated operations based in Senegal due to the ease of conducting illicit business at the Port of Dakar.

The Government of Senegal continues to build its capabilities to prevent and investigate financial crimes. Open issues to address include training for law enforcement officers, prosecutors, and judges on the investigation and prosecution of money laundering. Recommendations for improvement include drafting and enacting a non-conviction-based forfeiture law to allow government seizures of assets in the absence of criminal charges. Senegal needs legislation on the management, storage, and disposal of seized property.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Corruption and drug trafficking are the most likely sources of laundered financial proceeds. Typical methods of money laundering include cash purchases of real estate and bank transfers through Senegalese financial institutions to offshore tax havens.

According to the BCEAO, 18.5 percent of Senegalese had a bank account at the end of 2016. As a result, most transactions are cash-based, including real estate purchases and construction financing, presenting opportunities for laundering illicit funds. Documentation of real estate ownership is both scarce and unreliable. Transfers of real property are often opaque. Informal businesses dominate Senegal's economy. The government can reduce vulnerabilities to money laundering by improving the system of land administration and encouraging all businesses to be registered.

Touba, located in the central region of Senegal, is an autonomous municipality under the jurisdiction of the Mouride religious brotherhood. As the focal point of a worldwide network of Mouride communities, Touba is the destination of a significant portion of the remittances Senegalese abroad send home each year. Estimates of formal remittance flows to Senegal exceed \$1 billion annually; the total flow of remittances is likely to be much larger. These facts, and the national government's limited authority in the city, make Touba vulnerable to TBML.

Other areas of concern include the transportation of cash, gold, and other items of value through Senegal's international airport and across its porous borders. The widespread use of cash and money transfer services, including informal channels (hawaladars) and new payment methods, also contribute to money laundering vulnerabilities. Mobile payment systems such as Wari, Joni-Joni, and Western Union cater to the needs of the unbanked Senegalese but are not always subject to enforcement of AML controls due primarily to resource constraints. Senegalese-based money transfer company Wari recorded remittances of \$2 million per day shortly after opening a new service for Touba. Wari was implementing KYC software in 2016 but discontinued this effort due to problems with its platform.

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

In 2018, in response to a UEMOA directive, Senegal adopted an updated AML/CFT law which includes: extension of the FIU president's term of office to five, non-renewable years; a prohibition on the proliferation of weapons of mass destruction; limitations on the use of cash in

transactions; risk assessments for the country as well as for individual banks. The new legislation broadly defines PEPs and extends heightened due diligence measures as to them.

Senegal relies heavily on the knowledge and assistance of the BCEAO. The BCEAO regulates banks within the eight UEMOA countries and prescribes KYC practices for UEMOA financial institutions and money transfer operations.

Senegal is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The BCEAO is aware of and acknowledges the various money laundering activities in Senegal but does not have the tools or political will to stop them.

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

The BCEAO addresses money-laundering concerns at regional banking conferences, most recently in 2017. Financial institutions in Senegal are working with the BCEAO and Senegalese authorities to build their capabilities to detect suspicious transactions.

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

The FIU published its last activity report in July 2018 covering 2017.

## **Serbia**

### **OVERVIEW**

In 2018, Serbia made a high-level political commitment to address noted deficiencies and has subsequently made significant progress in bringing its AML regime in line with international standards, resulting in an increased number of related investigations and convictions. With assistance from donors, Serbia updated its national risk assessment (NRA) to better identify current threats or crimes associated with money laundering and methods used to launder money and finance terrorism.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The most common money laundering typologies noted by Serbia's Administration for the Prevention of Money Laundering (APML) include loans and cash gifts of unknown origin to natural and legal persons; successive or structured cash deposits of unknown origin into the financial system, including through non-beneficial account holders; using shell companies;



foreign trade using over-invoicing and under-invoicing; cases combining money laundering with tax evasion; and integration of criminally-derived funds in sectors such as construction, real estate, casinos, currency exchange offices, hotels, and other trade (retail, wholesale, and cash-based businesses). Data from prosecuted cases show the majority of criminally-derived proceeds went through limited liability companies.

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

Since December 2017, 12 key AML laws have entered into force or taken effect, including measures to improve factoring, accounting, auditing, and foreign exchange operations. These include: the Law on the Prevention of Money Laundering and Financing of Terrorism; the Law on Organization and Jurisdiction of State Bodies in the Suppression of Organized Crime, Terrorism, and Corruption; and the Law Amending the Criminal Code.

In 2018, several new laws entered into force, including Amending the Law on Factoring, designed to prevent convicted natural and legal persons from owning factoring companies; Amending the Law on Accounting to prevent legal persons, in addition to natural persons, from founding or owning an accounting services company if they have been convicted of certain criminal offenses; Amending the Law on Auditing to prevent legal persons, in addition to natural persons, from founding or owning an audit services company if they have been convicted of certain criminal offenses; Amending the Law on Foreign Exchange Operations that states any person associated with such operations must not have convictions for certain crimes; Amending the Law on Games of Chance; the Law on Intermediation in the Trade and Lease of Real Estate that requires proof of a non-conviction to be submitted to start an intermediation business; and the Law on the Centralized Records of Beneficial Owners.

To further strengthen a risk-based approach in supervision of related entities, new or updated AML/CFT risk assessment guidelines and risk-assessment matrices have been distributed to all appropriate supervisors. In March 2018, the Chamber of Public Notaries, Market Inspectorate, and Tax Administration all adopted individual risk matrices.

Legal persons are covered by existing legislation. Foreign PEPs are subject to enhanced due diligence under current law, and domestic PEPs are covered under the new AML/CFT Law.

Serbia is a member of MONEYVAL, a FATF-style regional body. Serbia's most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/-serbia>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Serbia should improve interagency cooperation; pursue money laundering independently of other crimes; raise awareness among entities obligated to submit STRs; ensure law enforcement agencies have timely and accurate access to legal entities' beneficial ownership information; demonstrate a record of training on the investigation and prosecution of third-party and stand-alone money laundering cases; and improve the capacities of the APML and AML supervisors.

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

Serbia cooperates with foreign governments on money laundering cases.

Serbia's new AML law significantly improves the efficiency and efficacy of its AML sanctioning regime, in part, by allowing for proportionality and timeliness of corrective measures. The National Bank of Serbia can now impose sanctions for AML/CFT violations, based on laws regulating the operation of banks, pension funds, financial leasing, insurance, and payment services. In 2017, there were investigations of 11 people and one company for money laundering violations, resulting in two convictions. During the first eight months of 2018, 11 criminal charges were filed against 31 individuals for the criminal offense of money laundering. During the first seven months of implementation of the new Law on Organization of State Bodies in Combating Organized Crime, Terrorism, and Corruption, 275 indictments and 142 criminal convictions were reported for corruption and economic offenses. The new anticorruption prosecutorial units are reporting dozens of ongoing proactive investigations. Donors have provided training and workshops to prosecutors and law enforcement officials, which supported the increased number of convictions.

## Sint Maarten

### **OVERVIEW**

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions. Sint Maarten has been recognized by the OECD as a jurisdiction that has implemented internationally-agreed tax standards. In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and information sharing related to criminal investigations and law enforcement. An ongoing priority area is interdicting money laundering operations.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The number of hotels that operate casinos on the island has significantly declined after the damage caused by hurricane Irma in 2017. Online gaming is legal and Sint Maarten has offshore banks and companies. Sint Maarten's favorable investment climate and rapid economic growth over the last few decades had drawn wealthy investors to the island to invest in large-scale real estate developments, including hotels and casinos. Hurricane Irma destroyed many of those real estate developments. The government of Sint Maarten is working with the Netherlands and the World Bank on procuring services for reconstruction efforts. The World Bank's procurement process should mitigate some inherent money laundering vulnerabilities in large-scale government procurement. Traditionally, money laundering of criminal profits occurs through business investments and international tax shelters.

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

KYC laws cover banks, lawyers, insurance companies, casinos, customs, money remitters, the central bank, trust companies, accountants, car dealers, administrative offices, tax administration, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers.

The Kingdom may extend international conventions to the autonomous countries. The Kingdom extended to Sint Maarten the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as these MOUs do not infringe on the foreign policy of the Kingdom as a whole. Sint Maarten is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Sint Maarten is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Sint Maarten has yet to pass and implement legislation to regulate and supervise its casino, lottery, and online gaming sectors in compliance with international standards. In addition, the threshold for conducting CDD in the casino sector does not comply with international standards.

The UNCAC has not yet been extended to Sint Maarten.

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

The National Ordinance Reporting Unusual Transactions has an “unusual transaction” reporting system. Designated entities are required to file UTRs with the FIU on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering. If, after analysis of an unusual transaction, a strong suspicion of money laundering arises, those suspicious transactions are reported to the public prosecutor's office.

The 1983 MLAT between the Kingdom of the Netherlands and the United States applies to Sint Maarten and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. After the airport and seaport were hit hard by hurricanes Irma and Maria in 2017, cruise ship visits had halted, but the seaport and the airport are slowly recovering. At the container facility, larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding Sint Maarten. Customs and law enforcement authorities are alert for regional smuggling, TBML, and value transfer schemes. In June 2017, the Sint Maarten Port Director was arrested in an investigation into

forgery, money laundering, and tax evasion. This case is ongoing. In June 2018, a Member of Parliament was charged with bribery, tax evasion, and money laundering.

From January to October 2018, Sint Maarten's FIU reported it had recommended eight money laundering investigations to the Public Prosecutor's Office. The recommendations led to seven investigations consisting of 1,006 suspicious transactions, involving approximately \$74 million. The FIU also initiated seven investigations consisting of 261 suspicious transactions, involving approximately \$16 million.

## Spain

### OVERVIEW

Spain proactively identifies, assesses, and understands its money laundering vulnerabilities and works to mitigate risks. Spain remains a logistical hotspot for organized crime groups based in Africa, Latin America, and the former Soviet Union. Spain also is a transshipment point for illicit drugs entering Europe from North Africa and South America. Spain largely complies with international AML standards and, in general, has updated AML regulations and competent authorities.

The government continues to build on its already strong measures to combat money laundering. After the EC threatened to sanction Spain for failing to bring its AML regulations in full accordance with the EU's Fourth AML Directive, in 2018, Spain approved measures to modify its money laundering legislation to comply with the EU Directive. These measures establish new obligations for companies to license or register service providers, including identifying ultimate beneficial owners; institute harsher penalties for money laundering offenses; and create public and private whistleblower channels for alleged offenses.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Spain is a transshipment point for the cross-border illicit flows of drugs. Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. In addition, bulk cash is sent from Latin America to Spain by the same means that drugs enter Spain from Latin America. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities continue to cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

The most prominent means of laundering money are through the purchase and sale of real estate, the use of complex networks of companies and legal arrangements, the exploitation of MVTs, and the use of cash couriers. The major sources of criminal proceeds are drug trafficking, organized crime, customs fraud, human trafficking, and counterfeit goods. Illicit proceeds continue to be invested in real estate in the coastal areas in the south and east of the country, but

criminal groups also place money in other sectors, including services, communications, automobiles, artwork, and the financial sector.

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

Spain's Council of Ministers, in February and August 2018, approved measures to modify Spain's AML legislation to comply with the EU Fourth Money Laundering Directive. The country has comprehensive KYC and STR regulations and PEPs are subject to enhanced due diligence. Spain issued a Ministerial Order in 2016 launching and defining the scope of the Asset Recovery and Management Office and the opening of its deposit and consignment account.

Spain is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Spain is largely compliant with international AML/CFT standards. Regulations issued by Spain in 2017 add to the information included by, and available to, financial institutions when processing wire transfers. Spain still needs to resolve technical deficiencies related to its handling of NPOs, such as outreach to encourage them to use regulated financial channels.

Additionally, effective controls are not in place to ensure lawyers comply with their AML obligations. Spain has not updated its penal code to extend the maximum period of disbarment for professionals.

Information about AML fines in Spain are not made available to the public.

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

Spain actively prosecutes money laundering cases, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

Spain actively investigates money laundering. In April 2018, Spain's High Court placed Caixabank—Spain's third-largest bank—under formal investigation stemming from a separate investigation that began in September 2017 into the Luxembourg subsidiary of Industrial and Commercial Bank of China (ICBC) for laundering funds from Chinese criminal groups via Caixabank branches in Madrid. That investigation, which followed the arrest of seven ICBC executives in Madrid in 2016, revealed that Caixabank branches had failed to implement AML/CFT controls and properly report suspicious transactions to Spain's FIU.

As part of an investigation into the laundering in Spain of illicit funds from Venezuela, Spanish police in October 2018 arrested four individuals, some of whom had connections to former Venezuelan officials, and seized more than 115 properties worth nearly \$70 million—many of which were in the southern beach resort city of Marbella. Also in October 2018, Spanish security forces arrested the vice president of the Royal Spanish Football Federation on money laundering charges.

## Suriname

### **OVERVIEW**

Money laundering in Suriname is closely linked with transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. Casinos, real estate, foreign exchange companies, car dealerships, and the construction sector remain vulnerable to money laundering due to lax enforcement of regulations, though the FIU has increased its engagement with DNFBPs. Public corruption also contributes to money laundering, though the full extent of its influence is unknown. Profits from small-scale gold mining and related industries fuel a thriving informal sector. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm for financial transactions.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Suriname has an adequate legal framework in place to allow for more robust AML enforcement, but a lack of training, resources, and implementation hampers efforts. There are indicators that TBML occurs, generally through the activities of local car dealerships, gold dealers, and currency exchanges (*cambios*). Supervision of DNFBPs remains limited. The FIU has increased outreach activities, registration, and off-site inspections of DNFBPs and is developing further technical skills through a donor-funded program. There is no effective supervision of the large gaming sector.

Money laundering may occur in the formal financial sector through banks and *cambios*, though there is no evidence the sector facilitates the movement of currency derived from illegal drug sales in the United States. Dutch authorities confiscated an approximately U.S. \$22.2 million (€19.5 million) cash shipment traveling through the Netherlands from Surinamese banks. Press reported the seized funds originated in *cambios* and were seized due to money laundering concerns. The case is ongoing. Since the seizure, banks instituted more stringent rules on identifying the source of large cash deposits and limiting deposits of high-denomination foreign currency bills. *Cambios* have begun enforcing proof of identity regulations.

Goods such as agricultural products, fuel, cigarettes, alcohol, and medicine are smuggled into the country via Guyana and French Guiana and sold at below-market prices, but there is little evidence to suggest this smuggling is related to narcotics trafficking or other illicit activity.

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

Suriname did not pass or amend AML legislation in 2018 but is drafting amendments to the Disclosure of Unusual Transactions Act. KYC and STR requirements cover banks and credit unions, asset managers, securities brokers and dealers, insurance agents and companies, currency brokers, remitters, exchanges, auditors, accountants, notaries, lawyers, real estate agents, dealers in gold or other precious metals and stones, gaming entities and lotteries, and motor vehicle dealers. The FIU began registering designated DNFBPs and is taking steps to join the Egmont Group.

The exchange of records between Suriname and other countries is possible via individual MOUs and mutual legal assistance requests.

Suriname is a member of the CFATF, a FATF-style regional body. Suriname's most recent MER is available at: <https://www.cfatf-gafic.org/index.php/member-countries/suriname>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Suriname must complete a national risk assessment.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, PEPs.

Suriname is not a member of the Egmont group.

Suriname is not party to the UNCAC.

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

A gaming board was established by law in 2009 but is still not fully active. Supervision and regulation of casinos remains deficient.

The FIU did 53 off-site inspections in the first nine months of 2018, an over fivefold increase from 2017. During the same period, 203,748 STRs were filed, more than double the number for the same period in 2017. Of these, only 1,002 STRs, or 0.5 percent, led to an investigation.

From January through September 2018, the Office of the Attorney General reported four money laundering prosecutions.

## **Tajikistan**

### **OVERVIEW**

Money laundering associated with Tajikistan's drug trade remains a dominant concern. Tajikistan lies on a major drug smuggling route connecting Afghanistan with Russian and Eastern European markets. In addition, a substantial amount of cash entering financial

institutions in the country stems from pervasive corruption in Tajikistan, including bribes obtained from the drug trade.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The main northern drug trafficking route from Afghanistan runs through Tajikistan. A 2018 UNODC report estimates that 42 to 74 tons of heroin left Afghanistan along the northern route annually between 2011 and 2015, much of it transiting Tajikistan. Large drug transshipments generate equally large amounts of cash, which require economic safe havens. The pervasive nature of corruption in the country allows criminals to circumvent Tajikistan's money laundering laws – which often meet international standards – with bribes or other in-kind incentives.

While drug smuggling clearly generates substantial amounts of illegal funds, the mechanisms used to launder these funds are harder to identify. Officials claim conducting transactions through Tajikistan's banking sector is the most common method of money laundering in the country, although real estate purchases may also be used.

Rampant corruption and bribery have deterred foreign investment and inhibit the success of local businesses.

There are four established economic free zones in Tajikistan, all of which are based on manufacturing. It is not known what, if any, role the zones play in national or international money laundering.

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

The country has in place a capable legal framework, including KYC and STR requirements, to deal with money laundering; however, some areas still need attention, such as remittances. In 2018, President Rahmon approved the AML/CFT National Action Plan (NAP) for 2018-2021, which mandates that all relevant government agencies develop their own AML/CFT plans. As a result of the NAP, in 2018, the National Bank of Tajikistan (NBT) established a formal AML/CFT training center to train banking, government, and law enforcement officials. Previously, the NBT hosted several ad hoc trainings per year.

In 2018, the national legislature amended the Law on Countering AML/CFT and Weapons of Mass Destruction to give certain authorities to the NBT to monitor credit and insurance organizations and to the Ministry of Finance for security market professionals, precious metals and minerals dealers, audit companies, accountants, pawnshops, betting shops and bookmakers, and lotteries.

Tajikistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: [https://eurasiangroup.org/ru\\_img/news/tajikistan.pdf](https://eurasiangroup.org/ru_img/news/tajikistan.pdf).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**



Tajikistan could improve AML/CFT oversight of the banking NPO sector. Overall, the government has a poor track record of uncovering money laundering in the private sector. The government also needs to engage non-financial businesses and DNFBPs to improve awareness of money laundering risks and their legal obligations, while promoting a better understanding among decision makers of the risks money laundering poses to the broader society.

Furthermore, the Tajik government has a limited ability to trace and confiscate assets identified in investigations.

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

In 2018, the NBT investigated two private banks for money laundering and terrorist financing. The investigation resulted in criminal charges for four employees, a total fine for both banks of \$430,000, and the removal of the banks' top management. Appeasing the international AML community may have been a larger motivator than genuine AML/CFT enforcement.

It remains difficult to assess the effectiveness of money laundering investigations. During the first nine months of 2018, four money laundering investigations were launched, with two of those cases prosecuted.

Tajikistan's FIU, the Financial Monitoring Department (FMD) of the NBT continues to hire personnel in order to improve supervision and analytics, and can benefit from training, improved technological resources, and equipment upgrades. Overall, the FMD has a good understanding of the money laundering risks in Tajikistan, and law enforcement authorities note the FMD is effective in international information sharing and provides quality information to law enforcement officials.

However, law enforcement does not make money laundering a priority; money laundering charges arise only as an additional element of a predicate offense. It is generally believed law enforcement has a good understanding of the risks of terrorist financing, but there is limited understanding of money laundering risks.

Tajikistan has the capacity to confront money laundering, but lack of political will hinders its efforts. The government should take action to reduce corruption by developing a comprehensive anticorruption strategy. Without such action, people will launder money with little fear of prosecution or other negative repercussions.

## **Tanzania**

### **OVERVIEW**

Tanzania is vulnerable to money laundering and financial crimes due to its under-regulated, underdeveloped financial sector and limited capacity to address such criminal activity. Criminal activities with nexuses to money laundering include transnational organized crime, tax evasion, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods,

and wildlife trafficking. There are Tanzanian links to regional terrorist financing. The Government of Tanzania took steps in recent years to curb and prevent money laundering, such as creating a special Economic, Corruption, and Organized Crime High Court Division, tightening cross-border currency regulations, and revising the rules for operating retail foreign exchange (forex) bureaus. In 2018, there were a number of high profile arrests for money laundering; however, there were very few convictions. Money laundering charges, like corruption charges, are increasingly used as a political tool. The Government of Tanzania should continue to build the human and technical capacities of key financial sector, law enforcement, and customs and tax authorities, and judicial stakeholders.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Tanzania's large, porous borders and geographic position present challenges in combating financial crime. The vast majority of Tanzanians work in the informal sector, and thus use cash-based, informal, and nontraditional financial systems. For example, Tanzania is emerging as a world leader in mobile banking services with a penetration rate of 70 percent and \$1.6 billion in average monthly transactions. These services improve financial inclusion for underserved populations but also create new vulnerabilities for financial crime.

Over the past two years, the Tanzania Revenue Authority (TRA) dramatically increased efforts to collect taxes, often using aggressive tactics and levying arbitrary assessments. This has motivated businesses and individuals, especially international traders with Asian and Middle Eastern suppliers, to transfer more money outside the formal financial system to avoid taxation. However, criminals exploit these same methods of moving money. Cross-border trade in used-cars, auto parts, clothing, cosmetics, and smuggled cigarettes and foodstuffs are of particular concern. Furthermore, front companies, hawaladars, and currency exchanges are used to launder funds, particularly in Zanzibar. Two busy international seaports and numerous smaller ports service Tanzania and the region and create opportunities for TBML. Foreign investment in the tourism sector in Zanzibar and real estate in both mainland Tanzania and Zanzibar are also used for money laundering.

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

Tanzania's Criminal Procedure Act (CAP20); Mutual Legal Assistance in Criminal Matters Act; and Proceeds of Crime Act were all amended in June 2018 via the Written Laws (Miscellaneous Amendments) (No. 2) Act, 2018. The new amendments update procedures for executing mutual legal assistance (MLA) requests and allow for enforcement of foreign forfeiture orders, but still do not provide for asset sharing. Both mainland Tanzania and Zanzibar have KYC and STR regulations, which also carry strict noncompliance penalties. The Bank of Tanzania issues directives for financial institutions, including forex bureaus.

Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Tanzania is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [https://www.esaamlg.org/index.php/Mutual\\_Evaluations/readmore\\_me/7](https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/7).

## **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

In recent years, Tanzania has taken steps to strengthen its response to money laundering, yet deficiencies remain. The National Strategy for Anti-Money Laundering and Combating Terrorist Financing covers the period of 2010-2013 and has not been updated since. The FIU's last annual report was for 2014/2015. Existing strategies, policies, laws and regulatory tools are thus out of date with current realities, focus on the formal banking sector, and do not address new trends such as mobile money, TBML, or the full range of DNFBPs.

Tanzania has yet to establish a database of MLA statistics. Additionally, authorities still have failed to address problems related to non-conviction-based forfeiture. Tanzania has limited capacity to implement the existing money laundering laws and to supervise the banking sector; and money laundering laws are used as political tools, which dilutes their efficacy in combating real crime.

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

In August 2018, TRA announced that TRA-Zanzibar would start implementing existing AML regulations, including the requirement to declare international transactions of more than \$10,000. This follows a similar effort on the mainland in 2017. In May 2018, the Bank of Tanzania (BoT) resumed licensing forex bureaus after a nine-month suspension, during which time it revoked 144 licenses for money laundering concerns, more than half of the existing outlets. During 2018, the BoT and private sector actors offered KYC and STR training for mobile money operators and realtors.

Tanzania should increase awareness of money laundering issues within the financial, law enforcement, and judicial sectors and allocate the necessary human, technical, and financial resources to update and implement a national AML strategy. Tanzanian authorities must ensure existing AML laws and regulations are enforced and applied in the spirit in which they are intended, not as a political tool, with a focus on convicting criminals engaged in money laundering and financial crime.

# **Thailand**

## **OVERVIEW**

Thailand's status as a logistics and financial hub, porous borders, and uneven law enforcement make it vulnerable to money laundering and other categories of transnational crime. Thailand is a source, transit, and destination country for illicit smuggling and trafficking in persons; a production and distribution center for counterfeit consumer goods; and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country's informal financial channels.

**VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Funds from various illegal industries are transported across Thailand's four land borders and through airports and seaports. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of criminal enterprises. Unlicensed and unregulated hawala brokers serve Middle Eastern travelers by transferring money through their own honor-based channels rather than formal financial instruments. Unregulated Thai and Chinese remittance systems are also prevalent.

**KEY AML LAWS AND REGULATIONS**

Thailand's Anti-Money Laundering Act (AMLA) has been amended several times since its initial passage in 1999, broadening the overall scope of criminal liability and increasing powers to conduct investigations and make seizures. Tax offenses, terrorism, and proliferation of weapons of mass destruction are money laundering predicate offenses. The Anti-Money Laundering Office (AMLO) acts as the country's FIU. It is responsible for supervision of all reporting entities and is the key AML/CFT enforcement agency.

AMLA includes KYC and STR requirements. The Act requires financial institutions to keep customer identification and financial transaction data for five years from termination of relationship. They must also keep due diligence records for ten years. Penalties for violating reporting requirements can include potential asset seizure. Since the revision to AMLA in 2015 (AMLA No. 5), the law no longer requires AMLO to prove intent before an asset can be seized; a simple connection to narcotics activity allows a seizure. AMLA No. 5 includes provisions intended to reduce the barriers to asset sharing and recovery in cases in which repatriating or sharing forfeited proceeds with a foreign jurisdiction is appropriate.

Thailand has reporting requirements for the import and export of currency, which vary depending on the type of currency, whether the currency is being imported or exported, and the source or destination country. For Thai currency being imported into Thailand, there is no reporting requirement. Foreign currency amounts exceeding the equivalent of approximately \$15,000 (450,000 Thai baht) must be declared to Customs. Approval from the Bank of Thailand is required in order to take Thai currency out of the country in amounts exceeding approximately \$1,700 (50,000 Thai baht). The threshold is higher at approximately \$61,500 (2 million Thai baht) for Thai currency destined for Cambodia, Laos, Burma, Vietnam, Malaysia, and China's Yunnan province. For fund transfers to commercial banks, foreign (non-Thai) currency can be transferred into Thailand without limit. However, the deposit must be transferred into an authorized bank and either be exchanged into Thai baht or held in a foreign currency account.

Thailand's Digital Asset Business Decree, which took effect in May 2018, regulates the offering of digital assets and brings the operations of cryptocurrency exchanges and intermediaries under the supervision of the Thai Securities and Exchange Commission (SEC). The SEC has issued draft regulations regarding digital assets business operators.

Thailand has an MLAT with the United States. Thailand actively shares information with international partners, including the United States, through the Egmont Group process.

Thailand is a member of the APG, a FATF-style regional body. Thailand's most recent MER is available at: <http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=8>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Thailand has numerous unlicensed, unregulated informal remittance systems. The AMLA's compliance regime should be applied more strictly to these MSBs to deter their use as money laundering vehicles.

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

Operationally, Thai government authorities continue to utilize the AML regime to focus on civil asset seizure and forfeiture, as well as criminal enforcement. The AMLO is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. The AMLO has exercised its authority to seize assets in a number of suspected human trafficking cases. From January to October 2018, there were 131 prosecutions and 105 convictions. In 2017, there were 141 prosecutions and 155 convictions.

Thailand has some difficulty sharing information with jurisdictions that require separate MOUs outside of the Egmont Group.

## **Trinidad and Tobago**

### **OVERVIEW**

Trinidad and Tobago's geographic location, generally stable economy, and developed financial systems make it vulnerable to money laundering.

In November 2017, Trinidad and Tobago developed an action plan to address deficiencies noted by international experts. Throughout 2018, Trinidad and Tobago has done much to improve its AML regime.

Despite substantial and continuing efforts to reform the criminal justice system, a lengthy judicial process can still mean years before criminal prosecutions are resolved. While the number of persons charged with money laundering-related offenses continues to increase, there has not yet been a stand-alone conviction for money laundering. Continued legislative and institutional reforms, including adequate resources and implementation, are needed to ensure the proper enforcement of Trinidad and Tobago's AML regime.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The country's close proximity to Venezuela and other drug-producing countries, its position as a regional hub for commercial air and shipping, and its relative wealth increase the risk of drug-related money laundering in Trinidad and Tobago. Along with proceeds from drug trafficking,

fraud, forgery, and public corruption are among the most common sources of laundered funds. There are also indications that structuring, commingling of funds, and TBML are all used to introduce illicit funds into the formal economy.

Although public casinos and online gaming are illegal, “private members’ clubs,” which operate as casinos and move large amounts of cash, also exist throughout the country; oversight of these casinos and other forms of gaming is patchwork and in need of comprehensive reform. Reports suggest certain local religious organizations are involved in money laundering, and comprehensive AML oversight of NPOs is still developing. Member-based financial cooperatives, or credit unions, also present a risk for money laundering.

There are 16 FTZs in Trinidad and Tobago, which aim to attract both foreign and local investors to set up manufacturing, international trading, and services operations. A free zone enterprise must be a company incorporated or registered in Trinidad and Tobago; all foreign companies are required to register a business entity locally.

Trinidad and Tobago does not have an offshore banking sector, nor an economic citizenship program.

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

Trinidad and Tobago has comprehensive KYC and STR regulations, and requires enhanced due diligence for PEPs.

Trinidad and Tobago’s Parliament passed legislation in 2018 that improves the ability of its FIU and other agencies to cooperate with international partners on tax matters. The bill also broadens the authority of the FIU and facilitates the prosecution of stand-alone money laundering cases. Parliament also approved amendments to Trinidad and Tobago’s Anti-Terrorism Act, which created several new criminal offenses, including some related to the financing of terrorism. Trinidad and Tobago also formalized the creation in law of a National Anti-Money Laundering and Counter-Financing of Terrorism Committee to make recommendations and coordinate implementation of AML/CFT policies.

Trinidad and Tobago is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsr/cfatf-4mer-trinidad-tobago.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

A number of pieces of legislation have been passed by the current government to reform the criminal justice system, and further legislation and institutional reforms are at various stages of development. If implemented properly, these efforts should permit more timely money laundering prosecutions in the future.

Fraud and corruption in government procurement rarely result in convictions. The failure to prosecute financial crimes successfully or in a timely manner has a corrosive impact on the

integrity of public finances and may encourage others to engage in financial crimes. While Trinidad and Tobago's Parliament approved amendments to the country's public procurement laws in 2017, those changes are not yet fully implemented.

Trinidad and Tobago is also continuing its efforts to address deficiencies related to the beneficial ownership of corporate and other legal entities and to monitor NPOs properly.

Legislation to more comprehensively regulate gaming has also been pending since 2016, though the current government has stated its intention to pass the law and implement it in 2019.

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

As described above, Trinidad and Tobago has taken a number of steps to address its AML deficiencies. The country has an action plan to work toward improving areas such as international cooperation, legal entity transparency and beneficial ownership, money laundering prosecutions, and criminal asset tracing and confiscation.

A working group is in place to promote greater interagency cooperation with respect to the investigation and prosecution of financial crimes. The primary law enforcement unit responsible for conducting financial investigations has increased its staffing and created policies to prioritize certain investigations, including terrorism financing cases. While there has been a steady increase in the number of persons charged with money laundering offenses, there has not been a conviction to date.

Ensuring that Trinidad and Tobago's positive reform efforts are fully implemented—and adequately staffed and resourced—is critical to Trinidad and Tobago's ability to consistently comply with international standards regarding its AML legal and regulatory frameworks, as well as its efforts to investigate and prosecute money laundering cases adequately and in a timely manner.

## **Turkey**

### **OVERVIEW**

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, the Middle East, and Eastern Europe. Turkey's rapid economic growth over the past 15 years combined with its commercial relationships and geographical proximity to areas experiencing political turbulence, such as Iraq, Syria, and Crimea, make Turkey vulnerable to money laundering risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. In addition to narcotics trafficking, other significant sources of laundered funds include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Recent conflicts on the southern border of Turkey have, to a small extent, increased the risks for additional sources of money laundering. In 2018, Turkey implemented new regulations on the registration and supervision of foreign exchange houses,

passed a tax amnesty law, and the government underwent a restructuring, resulting in new ministries.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering takes place in banks, non-financial institutions, and the informal economy. Money laundering methodologies in Turkey include the large-scale cross-border smuggling of currency; cross-border transfers involving both registered and unregistered exchange houses and money transfer companies; bank transfers into and out of the country; TBML; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkey-based traffickers transfer money, weapons, and sometimes gold, via couriers to pay narcotics suppliers in Pakistan or Afghanistan. The transfer of money typically occurs through the non-bank financial system and bank transfers. Funds are often transferred to accounts in Pakistan, the United Arab Emirates, and other Middle Eastern countries.

A tax amnesty law (No. 7143) passed by Parliament on May 11, 2018, allows repatriation of foreign assets, such as money, gold, foreign exchange, securities, and other capital market instruments. If declared to a financial institution by July 30, 2018, these assets would not be taxed. Assets declared between August 1 and November 30, 2018, are taxed at 2 percent. The law expired on November 30, 2018.

Turkey eased the process for foreign investors to receive citizenship. In September 2018, Turkey lowered the requirements for citizenship to a \$500,000 investment, real estate purchase of \$250,000, or the generation of jobs for at least 50 people. The government also opened offices in Istanbul and Ankara to streamline the approval process for investors.

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

The Financial Crimes Investigation Board (MASAK) is Turkey's FIU, and its mission is the prevention and detection of money laundering and terrorist financing offenses. KYC and STR regulations cover a variety of entities, including banks; bank or credit card issuers; authorized exchange houses; money lenders; financial services firms; precious metal exchange intermediaries; and dealers and auction houses dealing with historical artifacts, antiques, and art.

In January 2018, Turkey implemented Communiqué No. 2018-32/45, which establishes new registration and supervision requirements for money service businesses, including foreign exchange houses. Following the July 2018 government reorganization, MASAK and the Banking Regulatory and Supervision Agency fall under the Ministry of Treasury and Finance.

Turkey is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Turkey%20full.pdf>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

While Communiqué No. 2018-32/45 made improvements, weaknesses remain in Turkey's regulatory framework and supervisory regime, which could enable illicit actors to misuse and



exploit exchange houses and trading companies operating as unregistered money transmitters. Turkey's regulated exchange house sector is unwieldy, and Turkish authorities face challenges providing effective oversight of the nearly 900 covered exchange houses. Additionally, there are indications a large number of unregulated exchange houses and trading companies provide money transfer and foreign exchange services illegally. Despite hiring initiatives, MASAK remains understaffed.

PEPs are not subject to enhanced due diligence.

Turkey's nonprofit sector is not audited on a regular basis for money laundering activity and does not receive adequate AML outreach or guidance from the government. There is an insufficient number of auditors to cover the more than 100,000 NPOs.

As a general rule, Turkey will consider implementing U.S. requests to freeze assets only if such requests are made pursuant to the provisions of UNSCR 1373.

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

Turkey's AML efforts, especially following the July 2016 coup attempt, focus primarily on combating the finances of what the government has designated the so-called "Fethullah Gulen Terror Organization."

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, law enforcement capability, oversight, and outreach are weak. Many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach are lacking. Further, interagency coordination on AML is poor, and Turkey's financial and law enforcement agencies are often reluctant or unable under Turkish law to share actionable information with one another. There are case-by-case examples that demonstrate improvement. Turkey also lacks the civil, regulatory, and supervisory tools needed to supplement public prosecutions, further limiting the Turkish government's ability to counter money laundering.

Turkey has not kept adequate statistics on money laundering prosecutions and convictions since 2009. Therefore, Turkey's record of official investigations, prosecutions, and convictions is unclear. No data was available for 2018.

In March 2018, Turkey and the United States held the first AML/CFT Bilateral Exchange.

## **Ukraine**

### **OVERVIEW**

Corruption enables and exacerbates the significant money laundering problem in Ukraine. The authorities have made some progress but need to strengthen AML legislation and focus more on investigating and prosecuting cases involving high-level officials. In 2018, Ukrainian authorities

increased money laundering convictions and drafted new legislation to identify ultimate beneficial owners (UBOs).

Ineffective state institutions and criminal justice system allow criminal proceeds to go undetected. Although authorities are implementing measures to address the problem, law enforcement agencies (LEAs) rarely target large-scale, corruption-related money laundering, with the exception of cases associated with the former Yanukovich administration.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The use of cash and Ukraine's large informal economy represent significant money laundering vulnerabilities. The primary sources of illicit proceeds include corruption; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; cybercrime; and tax evasion. Money is laundered through real estate, insurance, financial and non-financial institutions, shell companies, and bulk cash smuggling schemes. Criminals use aliases to register as UBOs of companies to commingle licit and illicit funds. Transnational organized crime syndicates use Ukraine as a transit country for money and drugs. Transactions are routed through offshore tax havens to obscure ownership, evade taxes, or mask illicit profits.

Casinos and gaming enterprises are prohibited in Ukraine. Despite the prohibition, there is a flourishing market of underground gaming (often disguised as national lottery offices, which are legal). Poker was recently decriminalized. Since its purported annexation by Russia in 2014, Crimea has been designated as a special gaming zone.

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

Ukraine's 2015 AML/CFT Law #889-VIII lays out Ukraine's AML regulatory and supervisory regime, obligations of reporting entities, LEA roles, risk-based approaches, due diligence for PEPS, and procedures for determining UBOs. Authorities drafted a new bill in 2018 to amend the AML/CFT law to harmonize it with the Fourth EU AML Directive. The Ministry of Justice (MOJ) has the draft for comment.

In September 2018, the MOJ introduced stricter registration requirements for legal entities, sole proprietors, and public company formations, aimed at increasing monitoring of UBOs.

The Asset Recovery Management Agency (ARMA), established in 2017, is responsible for tracing and managing assets derived from corruption and other crimes. It gives authorities the necessary powers and tools, on paper, to locate, recover, and manage assets. The ARMA is not yet fully functioning as designed.

Ukraine and the United States have a MLAT.

Ukraine is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/ukraine>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

While money laundering investigations may be opened without a conviction for a predicate offense, legal professionals widely assume such a conviction is essential before a money laundering case can be taken to court.

Agents acting on behalf of other individuals are not obligated to report suspicious activities and not liable for failing to report such activity. The law also allows for PEPs to be de-listed three years after leaving public office, which is not consistent with international standards.

Efforts to establish bilateral mutual legal assistance agreements for asset seizure and forfeiture remain hindered by corruption, breaches of confidentiality, weaknesses in document seizure procedures, and the absence of a system to prioritize requests. The authorities should take steps to correct these deficiencies and to counter corruption.

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

Ukraine's AML/CFT Council approved a national risk assessment (NRA) report in 2016. Authorities should more thoroughly examine the significant amounts of money flowing through the banking system related to cybercrime and associated transnational organized criminal activities. It should examine how gaming is used to launder money and either enforce its prohibition on gaming or regulate its gaming industry. Authorities also should investigate how the informal sector and MVTs are used to transfer illicit proceeds. Ukraine should enact its draft bill on international law enforcement cooperation.

Money laundering convictions increased in 2018. Money laundering is prosecuted under two criminal codes, Article 209 (money laundering as a broad criminal offense) and Article 306 (drug-related money laundering). From January-September 2018, there were 17 convictions under Article 209. All 17 are now under appeal. Under Article 306, 105 cases were sent to court, compared to 37 in 2017. There is no additional data available on these cases.

Banking and securities regulators have made strides in ensuring the transparency of beneficial ownership of banks and securities firms and in removing criminal elements from control. Other supervisory authorities often appear unable or unwilling to verify whether relevant reporting entities are beneficially owned or controlled by criminal elements or their associates.

Ukraine should improve the implementation of its asset freezing, confiscation, and forfeiture provisions. It is unclear how often judges are using these provisions and how many final forfeiture orders have been issued. In some cases, ARMA has seized assets that were already being managed by a competing agency.

Shortcomings in personnel capacity and resources hamper Ukraine's ability to conduct financial investigations. The State Financial Monitoring Service, the FIU, produces high-quality financial intelligence; however, its work is hindered by an ever-increasing workload, antiquated IT systems, low staffing levels, and low wages. The Specialized Anti-Corruption Prosecutor (SACP) is pursuing senior members of the former Yanukovich regime and current senior PEPs for

corruption and, to some extent, money laundering. More resources are needed to develop financial investigation capacity in SACP, and in law enforcement generally.

## United Arab Emirates

### **OVERVIEW**

The United Arab Emirates (UAE) is a stable regional hub for transportation, trade, and financial activity and has aggressively expanded its financial services business and FTZs. Illicit actors exploit the UAE's relatively open business environment, multitude of global banks, exchange houses, and global transportation links to undertake illicit financial activity.

The UAE government is enhancing its AML/CFT system and has demonstrated the capability to take action against illicit financial actors. However, the UAE needs to continue increasing the resources it devotes to investigating money laundering.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The exponential growth of exchange houses, hawalas, and trading companies in the UAE, coupled with the UAE's complex and uneven regulatory environment, facilitates the use of bulk cash smuggling, TBML, and the transfer of funds for illicit activity. TBML occurs, including through commodities used as counter-valuation in hawala transactions or through trading companies illegally operating as exchange houses. Such activity might support the financing of weapons proliferation or sanctions-evasion networks and terrorist groups in the region. Unregulated hawalas remain a concern, especially because of the large number foreign workers present in the UAE.

A portion of the money laundering activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of couriers to transfer illicit funds. Domestic public corruption contributes little, if anything, to money laundering.

The UAE has an extensive offshore financial center, with 45 FTZs, including two financial free zones. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. FTZs companies are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts; however, the operation of unidentified, unregulated, or unsupervised financial entities in FTZs presents a significant gap in regulatory oversight. There is significant opportunity for regulatory arbitrage and avoidance of the controls and supervision put in place by the Central Bank of the UAE (CBUAE) and the regulators of the two financial free zones. The UAE authorities' limited ability to regulate financial activity in the myriad zones has traditionally hampered the effectiveness of the Anti-Money Laundering Suspicious Cases Unit (AMLSCU), the FIU, in monitoring STR reporting from covered entities in the zones.

In the UAE, an Emirati citizen must act as a 51 percent shareholder in any commercial company or business venture. Emiratis, to produce personal income, will sponsor a non-Emirati business for an agreed upon monthly stipend. The Emirati will put his/her name on the business; however, he/she often does not have any personal relationship with the business operator and may not be aware of the function/activities of the business itself. This has the potential to lead to the creation of shell companies, as these “Emirati-owned” businesses are not heavily scrutinized.

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

AML law permits the CBUAE to freeze the assets of suspicious institutions or individuals, and it has comprehensive KYC and STR regulations. Additionally, the UAE has enhanced due diligence procedures for PEPs, both foreign and domestic. The UAE has a records exchange mechanism in place with other governments, but not with the United States. As of late 2018, the UAE and United States are negotiating an MLAT.

Federal Decree No. 20 of 2018, passed on October 30, 2018, will allow the government to undertake national risk assessments and compliance inspections of domestic financial institutions. Should any institution be found in violation of the law, the new legislation provides for administrative penalties.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-united-arab-emirates>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Exchange houses and general trading companies should be more tightly regulated and supervised, and the UAE should release annual numbers of AML prosecutions and convictions to better gauge the effectiveness of its regime.

A thorough assessment of money laundering risk by national authorities, and subsequent outreach to the private sector, is needed.

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

The UAE continues to enhance its AML program. In June 2018, the CBUAE banned seven currency exchange houses from processing remittances, citing violations of money laundering and other regulations. The UAE has enhanced the level of cooperation among equivalent regulatory authorities.

While the UAE is showing progress in its ability to investigate suspected money laundering, it should increase the resources it devotes to this activity, both federally at the AMLSCU and by law enforcement at the emirate level. Among the emirates, there is significant variation in the level of cooperation on money laundering issues. In particular, Dubai provides significantly more cooperation than Abu Dhabi.

Several areas of AML implementation and enforcement require action, including proactively developing money laundering cases and establishing appropriate asset forfeiture procedures. Additionally, the enforcement of cash declaration regulations after the passage of new legislation in 2018 is unclear. Officials should conduct more thorough inquiries into large amounts of cash imported into the country and enforce outbound declarations of cash and gold using existing smuggling and AML laws. TBML also continues to deserve greater scrutiny.

## United Kingdom

### **OVERVIEW**

The UK plays a leading role in European and world finance. Money laundering presents a significant risk to the UK because of the size, sophistication, and reputation of its financial markets. UK law enforcement invests resources in tackling cash-based money laundering and the drug trade, and ‘high-end’ money laundering through the financial sector and related professional services. The UK should follow through on plans to strengthen the capabilities of its FIU, remove inconsistencies in the supervisory regime, and increase its international reach to tackle money laundering. The UK should ensure there are no gaps in implementation or enforcement that accrue when it departs the EU in 2019.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Much money laundering is cash-based, particularly cash collection networks, international controllers, and MSBs. Professional enablers in the legal and accountancy sector are used to move and launder criminal proceeds. There have historically been intelligence gaps, in particular in relation to ‘high-end’ money laundering, where the proceeds are held in bank accounts, real estate, or other investments rather than cash; this type of laundering is particularly relevant to major frauds and serious foreign corruption. Law enforcement agencies have taken increased steps in recent years to fill these gaps.

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

Money laundering is criminalized, and the UK uses an “all crimes” approach to determine money laundering predicate crimes. The UK has a comprehensive AML regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK adheres to the EU Fourth Anti-Money Laundering Directive. The Sanctions and Anti-Money Laundering Act 2018, passed in May 2018, provides the legislative basis for the UK’s AML regime after the UK leaves the EU in March 2019.

The UK supervises both financial institutions and DNFBPs for AML compliance. There are 25 AML supervisors in the UK, ranging from public sector statutory organizations to professional bodies. The UK has a mandatory reporting process for supervisors. In January 2018, the government established the Office for Professional Body AML Supervision within the Financial Conduct Authority to share best practices across the system and ensure professional-body AML supervisors provide effective supervision.

The UK is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/documents/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

The AML legal framework in the UK is particularly strong with only two areas in need of significant improvement, including insufficient resources and the limited role for the UK FIU, and measures related to correspondent banking.

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

In 2017, there were 4,925 prosecutions and 3,474 convictions for money laundering-related offenses in England and Wales. Money laundering was not the primary offense in all cases. Scotland and Northern Ireland statistics for 2017 are not yet available. UK legislation provides for non-conviction-based forfeiture as another means of recovering criminal assets, alongside conviction-based confiscation. Non-conviction-based asset recovery is most commonly used when it is not possible to obtain a conviction, for example, if a defendant has died or fled.

The UK maintains a freely accessible public register of company beneficial ownership information. Companies that do not provide information are subject to penalties. By 2020, the UK will expand the scope of and access to the register in line with the EU Fifth Anti-Money Laundering Directive.

In 2017, the UK passed the Criminal Finances Act (CFA), which makes it easier to seize criminals' money from bank accounts; makes it harder for criminals to launder money through property, precious metals and stones, and casino chips; and makes it possible to confiscate assets from people guilty of gross human rights abuses. The CFA also introduces unexplained wealth orders (UWOs), which can require those suspected of having links to serious crime and non-European Economic Area PEPs to explain how they lawfully acquired their assets. The first UWO was served within 14 days of the new powers being implemented on January 31, 2018. To date, three UWOs have been issued.

On October 31, 2018, the UK established the National Economic Crime Centre (NECC) to plan, task, and coordinate responses to economic crime across government agencies. The NECC will work with the other bodies, including the National Crime Agency's national intelligence capabilities, to develop the best possible understanding of the threat and ensure intelligence-supported intervention and investigations. The NECC will draw on the support of operational partners across law enforcement, the private sector, and internationally.

The UK has been a leader in multilateral discussions and implementation of international asset recovery efforts in regard to proceeds of high-level corruption, often in collaboration with the United States.

## Uzbekistan

### **OVERVIEW**

Uzbekistan has made consistent efforts to meet international standards through new legislation; however, corruption and law enforcement's susceptibility to political influence limit the effectiveness of this legislative base. Connected individuals can circumvent established AML rules through private financial institutions, shell/mailbox companies, and bribery. Uzbekistan increased prosecutions on financial crimes; nevertheless, the government's lack of transparency makes verifying the effectiveness of law enforcement in countering money laundering difficult.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Uzbekistan is a transit country for Afghan opiates, which enter Uzbekistan mainly over its Afghan and Tajik borders. Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Well-connected individuals launder money domestically or move it abroad using corruption, private banks, and the circumvention of regulations. Offshore shell companies that conceal financial interests and proceeds remain a favored laundering method. Uzbekistan's high customs-clearance costs encourage a black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but could be used to launder drug-related money. A predominantly cash economy combined with significant migration flows and the associated use of money transfer systems remain major money laundering risks. The expected introduction of cryptocurrencies will require proper AML regulation of such exchanges.

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

Uzbekistan made progress toward meeting international standards by implementing the 2017 currency convertibility reform, the 2017 law "On combating corruption," and the 2017-2018 State Anti-Corruption Program. The convertibility reform effectively eliminated the black market exchange rate and reduced unofficial markets and unofficial channels for remittances.

The Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism is Uzbekistan's core AML legislation establishing comprehensive KYC and STR regulations, including for legal persons. This law designates the FIU, under the Office of the Prosecutor General (PGO), as the key governmental body responsible for AML enforcement. A 2016 amendment allows for asset freezes and suspension of transactions if transaction parties appear on a list of individuals/legal entities involved or suspected of involvement in proliferation of weapons of mass destruction. It also names the FIU as the body responsible for maintaining this list. In 2017, the FIU issued internal control procedures for commercial banks and credit institutions governing the suspension of transactions and freezing of funds or other assets and introducing enhanced due diligence for domestic PEPs. In 2018, the President transformed the FIU into the PGO Department on Economic Crimes with a broader mandate, including corruption and money laundering crimes.



In 2018, the President created the Interagency Commission on Countering Money Laundering and the Financing of Terrorism and Weapons of Mass Destruction in order to improve regional cooperation.

Uzbekistan has bilateral agreements on AML assistance with 15 countries and MOUs with individual U.S. law enforcement agencies.

Uzbekistan is a member of the EAG, a FATF-style regional body. Uzbekistan's most recent MER is available at:

[https://eurasiangroup.org/files/uploads/files/other\\_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%202010.pdf](https://eurasiangroup.org/files/uploads/files/other_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%202010.pdf).

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

Legal entities are not criminally liable for money laundering activity. Although government officials are required to disclose income earned outside their public employment, these records are not publicly available.

KYC rules cover insurance companies, insurance brokers, securities market players, stock exchange members, financial leasing companies, and postal service operators. The AML legislation does not include measures to prevent criminals from assuming a controlling financial interest in such entities.

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

Uzbekistan has made progress in implementing recommendations and closing legislative and enforcement gaps. The government has tasked all relevant agencies with conducting a national money laundering risk assessment.

The FIU may face pressure to cease investigations when suspicious bank transactions are linked to politically powerful interests. The FIU's analytical capacities are limited and the unit requires modern IT analysis tools and training. In 2017, the FIU received over 236,000 STRs but initiated only 83 money laundering-related criminal cases. In the first six months of 2018, over 116,000 STRs resulted in only 48 money laundering-related criminal cases. There were 83 convictions for money laundering crimes in 2017, and 25 in the first six months of 2018.

Despite the established MOUs with U.S. law enforcement, Uzbekistan largely abstained from substantive cooperation with the U.S. government in enforcement and information exchange relating to drug trafficking. The United States and Uzbekistan do not have a bilateral MLAT, although the government of Uzbekistan has requested negotiation of one. Uzbekistan is a signatory to relevant multilateral law enforcement conventions that have provisions enabling law enforcement cooperation with the United States and other parties to the conventions. The PGO and the U.S. Justice Department have assisted each other under this framework in non-narcotics cases.

## Venezuela

### **OVERVIEW**

Conditions in Venezuela allow ample opportunities for financial abuses. Venezuela's proximity to drug producing countries and its status as a drug transit country, combined with weak AML supervision and enforcement, lack of political will under the Maduro government, limited bilateral cooperation, an unstable economy, and endemic corruption make Venezuela vulnerable to money laundering and financial crimes. Venezuela's distorted and controlled multi-tiered foreign exchange system and strict price controls provide numerous opportunities for currency manipulation and goods arbitrage. They also force many legitimate merchants to engage illicit actors to obtain access to foreign currencies, which is tightly limited by the government, thereby facilitating money laundering. A robust black market continues to function in the porous border regions of Venezuela and Colombia.

On September 20, 2017, FinCEN issued an Advisory on Widespread Public Corruption in Venezuela, which stated all Venezuelan government agencies and state-owned enterprises appear vulnerable to public corruption and money laundering, and it asked U.S. financial institutions to prevent illicit proceeds tied to Venezuelan public corruption from moving through the U.S. financial system. U.S. legal actions against Venezuelan citizens and government officials and their relatives have exposed questionable financial activities related to money laundering.

### **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Money laundering is widespread in Venezuela, including through government currency exchanges, the petroleum industry, and minerals, and to a lesser extent, through commercial banks, gaming, real estate, agriculture, livestock, securities, and metals. TBML remains common and profitable. One such trade-based scheme, a variation of the black market peso exchange, involves drug traffickers providing narcotics-generated dollars from the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos. In turn, those Colombian pesos are exchanged for Venezuelan bolivars at the parallel exchange rate and used to repurchase dollars through Venezuela's currency control regime at much stronger official exchange rates. Additionally, media report that under the Maduro administration Venezuelan officials were involved in channeling hundreds of millions of dollars from Venezuelan state-owned oil company Petroleum of Venezuela S.A (PDVSA) into U.S. and European banks. PDVSA continues to be Venezuela's primary source of income and foreign currency.

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

Revisions made in 2014 to the 2012 Organic Law against Organized Crime and Financing of Terrorism were a positive step, but the law lacks important mechanisms to combat domestic criminal organizations, such as the exclusion of the state and its companies from the scope of investigations. Approximately 900 types of offenses can be prosecuted as "organized crime" under the law. The Maduro government used the law as a tool to suppress political opposition and intimidate its broadly-defined "enemies."

Amendments to the Anti-Corruption Law in 2014 create the National Anti-Corruption Body to combat corruption. The reform also creates a criminal penalty for bribes between two private companies. However, the law differentiates between private and public companies and includes exemptions for public companies and government employees.

There are enhanced due diligence procedures for foreign and domestic PEPs.

Venezuela is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/member-countries/venezuela>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

In 2018, Venezuelan government entities responsible for combating money laundering and corruption were ineffective and lacked political will. Furthermore, their technical capacity and willingness to address financial crimes remained inadequate. The National Office against Organized Crime and Terrorist Finance has limited operational capabilities. A politicized judicial system further compromised the legal system's effectiveness and impartiality. Venezuela's FIU, the National Financial Intelligence Unit (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. FinCEN suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of shared information. The suspension remains in effect until FinCEN has assurances its information will be protected. The UNIF should operate autonomously, independent of undue influence. Venezuela should increase AML institutional infrastructure and technical capacity.

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

Venezuela's foreign exchange system that allocates foreign exchange to the private sector remains an opaque system subject to manipulation by connected insiders. The Maduro government maintained many off-budget accounts in foreign currencies that lacked transparency and oversight, making them vulnerable to corruption. For example, virtually all U.S. dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

At the end of 2018, Venezuela operated one official, managed exchange rate of 564 bolivars per U.S. dollar (Bs/\$), while the volatile parallel exchange rate had increased to 710 Bs/\$. Although the overall volume of money passing through the official foreign exchange (FX) auction system has diminished substantially over the past few years, until recently the huge profit margin achievable by obtaining "cheap" FX resulted in sophisticated trade-based schemes, including the laundering of drug money. Trade-based schemes make it extremely difficult for financial institutions and law enforcement to differentiate between licit and illicit proceeds. Numerous allegations have been made that some government officials are complicit and even directly involved in such schemes.

## Vietnam

### OVERVIEW

Large parts of Vietnam's economy remain cash-based, but the government has set aggressive targets to move its economy to being significantly cashless by 2020. Vietnam has made progress in many areas, including its newly revised penal code and increased international cooperation. Continuing economic growth and diversification; increased international trade; a long, porous land border; a relatively young, tech-savvy population; and newly legalized local casinos all suggest Vietnam's exposure to illicit finance will increase in coming years.

Vietnam needs to continue to build its AML capabilities, especially within key enforcement agencies and the National AML Steering Committee. Vietnam will need political will and a stronger coordinated effort across government to increase enforcement of existing AML laws.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Sources of illicit funds include public corruption; fraud; gaming; prostitution; counterfeiting of goods; and trafficking in persons, drugs, wildlife, and related commodities. Remittances from Vietnamese organized crime groups in Asia, Europe, and North America continue to be significant sources of illicit funds, particularly proceeds from narcotics and wildlife traffickers using Vietnam as a transit country.

Vietnam remains a predominantly cash-based economy. High-value items, including real estate and luxury vehicles, are routinely purchased with cash with few questions asked. The banking system is still at risk for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of exports and imports are common and could be indicators of TBML.

In 2018, Vietnam granted its first pilot licenses to local casinos, increasing its money laundering risks if authorities do not ensure these establishments effectively implement and enforce AML standards. Online gaming is prohibited.

### KEY AML LAWS AND REGULATIONS

The revised penal code came into effect on January 1, 2018, with a revised money laundering offense and added criminal liability for legal persons. The Supreme People's Procuracy is in the process of drafting guidance under a resolution of the Judge's Council to implement the revisions. The State Bank of Vietnam (SBV) also completed a five-year review of the Law of Anti-Money Laundering to recommend potential revisions. Various ministries are currently revising related laws to reflect the need for enhanced AML activities in various sectors.

Vietnam has in place KYC and STR legal requirements. The SBV instituted standardized STR forms to ensure consistency of reported data. The SBV FIU's electronic STR system is only partially functioning, with non-bank entities still having to file hard copies of STRs.

Vietnam does not have a MLAT or other information-sharing mechanisms in place with the United States, but the government typically provides records and responses to the United States and other governments upon request.

Vietnam is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/includes/handlers/get-document.ashx?d=68a28c62-1ebe-41f7-8af6-e52ead79150c>.

### **AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES**

While Vietnam is mostly compliant with the technical requirements of the international standards, Vietnam needs to improve its AML supervision, and banks need to enhance and fully implement CDD and KYC policies. Regulations on updating information of customers whose transactions originate in other countries are minimal and weakly enforced.

With its long border with China, Laos, and Cambodia, Vietnam's cross-border controls remain weak. Vietnam needs to improve its efforts to tackle the instances of bulk cash smuggling and wildlife and drug trafficking.

The lack of rigorous and impartial financial oversight of key state-owned enterprises (SOEs) represents an additional AML vulnerability. In 2018, new Decree 131 established a Super Committee over 19 prominent SOEs; however, it is too early to evaluate if this will improve financial oversight of SOEs.

Vietnam's FIU is not a member of the Egmont Group but has applied for membership and is currently working to strengthen its authorities and enhance its independent status within the SBV. Vietnam's FIU has signed nine MOUs with the FIUs of other jurisdictions.

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

Vietnam has a National AML/CFT Coordinating Committee and a national AML/CFT action plan for 2015-2020. While Vietnam's laws are adequate, AML enforcement needs to improve. With donor assistance, authorities completed an AML/CFT national risk assessment in June 2018. The report is currently awaiting the prime minister's approval. Vietnam's adoption of any recommendations for reform will depend upon interagency cooperation and high-level support.

The lack of resources and difficulty coordinating multiple agencies hinder parallel money laundering investigations during predicate crime investigations. Cooperation among agencies is infrequent because it is not codified; interagency coordination occurs with signed MOUs. Progress toward changing operating practices among key agencies remains slow, and there is still no MOU between SBV and Customs.

In November 2018, Vietnam prosecuted over 90 defendants accused of criminal charges associated with illegal online gaming and obtained convictions against almost all defendants, including four on money laundering charges, Vietnam's second money laundering criminal prosecution.

Vietnam seized nearly \$16 million in connection with the 2017 money laundering conviction related to embezzlement from an SOE. Vietnam relies exclusively upon MLATs to seize assets related to the proceeds of transnational criminal activity in Vietnam. However, Vietnam has very few of these treaties, limiting its ability to seize assets related to transnational crime. Although Vietnam has considered non-conviction-based forfeiture and illicit enrichment provisions in recent years, it has no plans to introduce such legislation.