



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

Money Laundering and Financial Crimes Country Database

June 2015

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Money Laundering/Financial Crimes Countries

Countries and Jurisdictions Table

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

Comparative Table Key

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

Glossary of Terms

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

Money Laundering and Financial Crimes

- 9. “Financial Intelligence Unit”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.
- 10. “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction’s borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- 11. “International Law Enforcement Cooperation”: No known legal impediments to international cooperation exist in current law. Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request.
- 12. “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- 13. “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- 14. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations.
- 15. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report to designated authorities transactions suspected to relate to the financing of terrorists, terrorist groups, or terrorist activities.
- 16. “Ability to Freeze Terrorist Assets w/o Delay”: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- 17. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 18. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 19. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime

(UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

- 20. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 21. “U.S. or International Sanctions/Penalties”: The United States, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended countermeasures against the country/jurisdiction.

Comparative Table

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

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties	
Govt/Jurisdiction																						
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
Angola	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N	
Anguilla¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	

¹ The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to Bermuda, the British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to Bermuda, the British Virgin Islands, Cayman Islands, Gibraltar, and the Isle of Man.

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bermuda¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
British Virgin Islands¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N

² The Netherlands extended its application of the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, and the UN Convention against Transnational Organized Crime to Aruba, Curacao, and St. Maarten.

Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	N	Y	Y	N	Y	Y	N	Y	N	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	Y	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties	
Govt/Jurisdiction																						
Curacao²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
Cyprus³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Djibouti	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Dominica	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	Y	Y	N	N	
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	N	N	Y	
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
France	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	

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Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Gibraltar¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	N
Greece	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	Y	N	N	Y	Y	Y	Y	N
Guinea-Bissau	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

⁴ The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.

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Govt/Jurisdiction																					
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Isle of Man¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Jersey¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Korea, North	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	Y	N	N	Y
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N

Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Mali	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritius	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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Govt/Jurisdiction																					
Montserrat¹	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Nicaragua	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
San Marino	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome and Principe	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Seychelles	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Singapore	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

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Govt/Jurisdiction																					
South Sudan	Y	Y	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Timor-Leste	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y	Y	N
Togo	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turks and Caicos¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N

Money Laundering and Financial Crimes

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

All Money Laundering and Financial Crimes Countries/Jurisdictions

Afghanistan

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 342 in 2014

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

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 22 in 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. The Da Afghanistan Bank reports that approximately \$3.7 million in cash left Afghanistan via Kabul International Airport in 2014. Approximately \$83,200 left Afghanistan via Mazar-e Sharif International Airport in 2014. Tracking cash movements across borders or through airports has become increasingly difficult with implementation of an executive order that makes it illegal to take more than \$20,000 out of the country, but eliminates the need to report outbound currency. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based

money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Afghanistan should strengthen inspection controls for airport passengers.

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

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

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

Albania

Albania is not an important regional financial or offshore center. The country remains at significant risk for money laundering due to rampant corruption and weak legal and government institutions. Albania also has a large cash economy and significant money flows from abroad in the form of remittances.

Albania has a substantial black market for certain smuggled goods, primarily tobacco, jewelry, stolen cars, and mobile phones. The smuggling is facilitated by weak border control and customs enforcement. Albania is a transit country for Afghan heroin and serves as a key gateway for heroin distribution throughout Europe. Local production of marijuana is also substantial, with much exported for European use. Albania serves as a base of operations for regional organized crime organizations. Illicit proceeds are easily laundered. Real estate (particularly in the coastal areas), business development projects, and gaming are among the most popular methods of hiding illicit proceeds.

Terrorism financing remains a threat in Albania. During the last decade, government officials have taken action in several cases involving individuals and non-profit organizations suspected of financing terrorist activities.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; agricultural credit institutions; life insurance companies; money exchangers; accountants, notaries, and lawyers; gaming centers and casinos; auto dealers; postal services; securities dealers; real estate agents; and travel agencies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,050: January 1 – November 15, 2014
Number of CTRs received and time frame: 472,729: January 1 – November 15, 2014
STR covered entities: Commercial banks; financial leasing and factoring companies; money remitters and foreign exchange offices; savings/credit unions and companies; postal services that perform payment services; issuers or managers of debit and credit cards, checks, traveler's checks, payment orders, electronic money, or other similar instruments; stock markets and securities agents and brokers; life insurance or re-insurance companies, agents, or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property and property transfer agents; games of chance, casinos, and race tracks of any form; lawyers, notaries, and other legal representatives; real estate agents and appraisers; accountants and financial consultants; and the Agency of Legalization, Urbanization, and the Integration of Informal Constructions/Zones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 121: January 1 – November 15, 2014
Convictions: 5: January 1 – November 15, 2014

RECORDS EXCHANGE MECHANISM:

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

Albania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite passing criminal code reforms and amendments to the Law on the Prevention of Money Laundering and Financing of Terrorism in 2012, the Government of Albania's implementation efforts are lacking, as evidenced by the low number of successful prosecutions and convictions.

The government has taken some steps to combat official corruption, but it needs to continue to address judicial and prosecutorial corruption. Since the Parliament lifted official and judicial immunities in September 2012, it has placed the jurisdiction for these higher prosecutions in its Serious Crimes Prosecution Office and Serious Crimes Court. Since the immunities were revoked, prosecutors have investigated at least 16 high-level officials, including 13 locally-elected officials, one judge, one court clerk, and one prosecutor. Courts have convicted 10 local officials, two court clerks, two private attorneys, and a public notary. In 2014, the mayor of a major city, Vlora, and six other municipal employees were prosecuted for abuse of office. In August 2014, prosecutors began an investigation of the Governor and Chief Inspector of the National Bank of Albania over accusations that \$7.3 million were stolen from the National Bank. The investigation is ongoing.

The Albanian court system applies a high burden of proof in money laundering cases. Some, but not all, courts require a simultaneous conviction for a predicate offense before issuing a conviction for money laundering, even though the law specifically states that no predicate offense is necessary. The Supreme Court has not issued a controlling decision, so the law in this area remains in flux. Currently, no law criminalizes negligence by financial institutions in money laundering cases.

In October 2013, the Parliament approved new legislation aimed at addressing deficiencies in the regime for freezing terrorist assets. Despite arrests of intended foreign-fighters in early 2014, there is no indication that prosecutors have had the opportunity to freeze any assets.

In 2014, a seventh regional Joint Investigative Unit to Fight Economic Crime and Corruption (JIU) was established in Elbasan. These units, plus the original JIU in Tirana, have jurisdiction over corruption, money laundering, and other types of economic crimes. The Serious Crime Prosecution Office has a similar unit that focuses solely on high-level or judicial corruption. The government should continue to develop the effectiveness of these units.

Despite efforts to improve Albania's capacity to deal with financial crimes and money laundering, the government's AML/CFT regime is plagued by numerous technical deficiencies. Albania should take steps to remedy identified deficiencies and systematically address the pervasive corruption which enables money laundering and other financial crimes.

Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations; the considerable size of the informal and cash-based economy, estimated to be 30-50 percent of GDP; and a banking sector dominated by state-owned banks, archaic paper-based systems, and underqualified banking officials trained in the statist system. The restricted convertibility of the Algerian dinar enables the central bank to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms and stolen vehicles; kidnapping for ransom (KFR); theft; extortion; and embezzlement. Public corruption remains a serious concern, as does terrorism in isolated provinces of the country. Algerian authorities are increasingly concerned by cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems, and a cash-based economy. Most money laundering is believed to occur primarily outside the formal financial system, through tax evasion, abuse of real estate transactions, and commercial invoice fraud. Al-Qaida in the Islamic Maghreb, which originated in Algeria, has a history of terrorist activity in Algeria, as well as the broader Maghreb and Sahel regions, including suicide attacks, KFR, roadside bomb attacks, and assassinations.

After several years of working with Algeria to address its strategic AML/CFT deficiencies, on October 18, 2013, the FATF added Algeria to its Public Statement, noting Algeria's lack of sufficient progress in addressing noted deficiencies in three critical areas: adequately criminalizing terrorist financing; establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets; and customer due diligence, despite its high-level political commitment to implement its action plan within established timelines. Because these items remain uncorrected, Algeria continues to be included in FATF's most recent Public Statement, dated October 24, 2014.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, financial services offered by the Algerian postal system, financial leasing institutions, and investment and shareholding companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial leasing firms, and mortgage refinance firms; financial services offered by the Algerian postal system; money remitters; insurance companies; exchange offices; gaming entities and casinos; stock market operation; trade, capital, and investment advisors, managers, and intermediaries; lawyers, notaries, auctioneers, certified public accountants, and auditors; brokers, commissioners in Customs, and exchange agents; real estate agents; companies engaged in finance and debt recovery; and dealers of precious stones and metals, antiquities, and artwork

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Algeria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Republic_of_Algeria.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES:

Building on 2012 legislation, in 2013, the government enacted a number of measures on freezing terrorist assets and the maintenance of UN lists of designated terrorists and terrorist organizations, which it maintains meet international standards. The Algerian Parliament also amended Article 87bis of the Penal Code, effective February 16, 2014, to bring the elements of its terrorist financing laws in line with international standards. A defendant can be prosecuted in absentia if the crime took place in Algeria. However, some deficiencies remain. The government has not been willing to share data on the number of prosecutions related to countering the financing of terrorism.

Algeria continues its work on drafting revisions to various portions of its AML/CFT statutory scheme to address the noted deficiencies and continues to make progress; but it will take time to determine whether the laws are being actively and evenly applied. The CTRF, Algeria's financial intelligence unit, should continue outreach to the formal and informal financial sectors. In addition, given the scope of Algeria's informal economy, efforts should be made to identify value transfer mechanisms not covered by Algeria's legal and regulatory framework. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling used to finance terrorism and other illicit activities. Algeria should continue to take steps to adequately criminalize terrorist

financing and to establish and implement an adequate legal framework for identifying, tracing, and freezing terrorist assets.

Andorra

Although the Principality of Andorra is not a regional financial center, it does have a well-developed financial infrastructure. The Andorran banking system is comprised of five banking groups.

The non-financial crime rate is low in Andorra, with few instances of drug-related offenses or other serious crimes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies; lawyers, notaries, accountants, and tax advisors; dealers of precious metals and stones; real estate agents; and bingo establishments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 36 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk-capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants, and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2014
Convictions: 2 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Andorra is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Andorra_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Andorra has made progress in its efforts against money laundering. Although the country has made significant improvements, both by updating legislation and signing international agreements, the Government of Andorra should continue to examine bank secrecy laws carefully to ensure privacy protections are not exploited in favor of criminal activity.

The Andorran Financial Intelligence Unit has seen its work and resources increase as Andorra has increased its efforts to thwart money laundering and terrorism financing.

Andorra has twenty ratified, active bilateral agreements for the exchange of fiscal information upon prior request. Andorra also has signed a Non-Double Taxation agreement with France, Spain, and Luxemburg and is working toward signing other such agreements.

Andorra should consider the adoption of a large currency transaction reporting system. Andorra also should become a party to the UN Convention against Corruption.

Angola

Angola is not a regional financial center. It does not produce large quantities of narcotics but continues to be a transit point for drug trafficking, particularly for drugs from Brazil and other parts of South America destined for Europe. Increasingly, Angola is becoming a destination point as well, with a growing market for illicit drugs. Angola's borders are porous and vulnerable to general smuggling and trafficking in small arms, diamonds, humans, and motor vehicles. Angola has a high rate of U.S. dollar cash flow, although the government has implemented new financial policies to decrease use of all currencies except the Angolan kwanza. The laundering of funds derived from widespread corruption is a concern.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, stock markets, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 56: January 1 – November 14, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, pension fund managers, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Angola is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.esaamlg.org/reports/view_me.php?id=248

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Angola further amended its AML/CFT law by adding additional predicate offenses for money laundering and allowing for the search and seizure of assets related to terrorist activities.

Angolan law requires obligated entities to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU) for transactions they know or believe may be related to money laundering or the financing of terrorism. Angola's FIU has continued to focus on conducting outreach to covered entities, primarily financial institutions regulated by the central bank, with respect to the AML/CFT reporting requirements. Currently 22 of Angola's 29 banks are reporting suspicious transactions. The number of STRs filed with the FIU is very low; designated non-financial businesses and professions (DNFBPs) generally do not comply with the reporting requirements. Angolan politically exposed persons (PEPs) residing outside of the

country are subject to due diligence requirements. The law prohibits the financial institutions or their employees from tipping off, but this legal prohibition does not appear to extend to citizens in their private capacity.

In 2014, Angola's FIU referred three entities to Angolan prosecutors for potential prosecution under the AML statutes. While no indictments have been announced, the cases are ongoing. Angola's ability to investigate financial crimes is limited, but improving; corruption remains a problem. Angolan law enforcement authorities should not rely on referrals from the FIU to initiate money laundering investigations.

Angola should continue to work toward addressing remaining deficiencies. Specifically, Angola should adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for the confiscation of funds related to money laundering; implement an adequate supervisory framework; enforce reporting requirements for DNFBPs; and ensure appropriate laws and procedures are in place to provide mutual legal assistance. The Government of Angola should take specific steps to combat pervasive corruption as it enables money laundering.

Anguilla

Anguilla is a UK overseas territory with a population of approximately 15,000. There are few offenses committed on the island by the local populace that generate substantial monies or profits from crime. The economy depends heavily on luxury tourism, offshore banking, lobster fishing, and remittances from emigrants. Increased activity in the tourism industry spurred the growth of the construction sector.

The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online, the zero-tax regime, and the use of bearer shares make Anguilla vulnerable to money laundering. The biggest perceived money laundering threat continues to come from abuses of the offshore industry in relation to mutual funds, trusts, and international business companies (IBCs). The Anguilla Financial Service Commission maintains an updated website listing active market participants. There are seven licensed domestic and offshore banks, two money service businesses, and 275 captive insurance companies.

The Eastern Caribbean Central Bank (ECCB) is Anguilla's monetary authority. Anguilla's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. There is little evidence the common use of the EC dollar significantly raises the risk for money laundering.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, accountants, notaries, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 61: January 1 - November 10, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, accountants, notaries, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

Anguilla is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/anguilla-1/2-anguilla-3rd-round-mer>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Anguilla prohibits anonymous accounts, and continues to seek offshore financial business, offering business and tax structures and company formation which allow some degree of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors. Once incorporated, an IBC is capable of holding assets and operating bank accounts, both on Anguilla and in other jurisdictions. IBCs may be used as “flow through” accounts, facilitating the mingling of monies, confusing money trails, and generally assisting the layering process in money laundering. IBC abuse remains responsible for a significant proportion of suspicious activity reports.

Anguilla's record-keeping requirements do not meet international standards. Requirements to retain records of accounts are not uniform across different types of companies and accounts, and there is no requirement to keep underlying documentation, or to maintain records for five years. The Financial Services Commission has created a series of draft amendments to the Anti-Money Laundering Regulations and Code to increase Anguilla's compliance with international standards, but those amendments have yet to be adopted.

A UK Caribbean overseas territory, Anguilla cannot sign or ratify international conventions in its own right. The UK is responsible for Anguilla's international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 UN Drug Convention was extended to Anguilla in 1995. In April 2011, Anguilla's Executive Council agreed in principle to extend the UN Convention against Corruption to Anguilla and requested a legislative analysis to ascertain the changes necessary to implement the Convention. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to Anguilla.

Antigua and Barbuda

Antigua and Barbuda remains a substantial offshore center which continues to be vulnerable to money laundering and other financial crimes. An increase in drug trafficking, a large financial sector, and a growing Internet gaming industry likewise add to its susceptibility. The Antiguan Office of National Drug Control and Money Laundering Policy (ONDCP) has a three prong approach to combat narcotics trafficking, money laundering, and the financing of terrorism via the reporting of financial intelligence and investigation, AML/CFT compliance, and counter-narcotics operations. The ONDCP's analysis in 2013 showed that criminals exploited the system as financial institutions often failed to apply sufficiently rigorous due diligence to suspicious transactions. In 2014, it reported increased evidence of "money laundering related to drug trafficking taking place through local financial institutions." There are few successful investigations, prosecutions, and convictions.

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

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

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

Money Laundering and Financial Crimes

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The Supervisory Authority has the power to comprehensively examine all sectors of financial institutions, including offshore institutions, for AML/CFT compliance and has the authority to impose sanctions as needed. The Supervisory Authority can apply to a court for a production order where there is a failure by a financial institution to grant access to all records, documents, or required information.

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

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

Argentina

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

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

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

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

it is clear a significant amount of economic activity is taking place outside of government supervision.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

Argentina is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Argentina_3ra_Ronda_2010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

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

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

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

Armenia

Armenia is not a regional financial center and is not believed to be at major risk for money laundering or terrorist financing, yet government corruption, an organized crime presence, and a large shadow economy make the country vulnerable. According to authorities, drugs such as heroin from Afghanistan and amphetamines from Russia and Turkey transit the country and are also abused domestically. Nevertheless, the major sources of laundered proceeds likely stem from theft, tax evasion, and fraudulent financial activity, particularly transactions with forged credit cards.

Money laundering risks are mainly concentrated in the banking system, which has around 90% of the total assets of the financial system. Robust customer due diligence and other requirements introduced in the AML/CFT legislation are meant to make such risks manageable. In the non-financial sector, high-value transactions such as real estate purchases are believed to be at risk of being abused. Casinos are legal and are regulated by the Ministry of Finance.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit organizations, exchange houses, and money and value transfer services; investment companies; insurance companies and intermediaries;

pawnshops; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus; the State Cadaster; and the State Registry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 114: January 1 – November 1, 2014

Number of CTRs received and time frame: 154,678: January 1 – November 1, 2014

STR covered entities: Banks, credit organizations, exchange houses, and money and value transfer services; investment companies; insurance companies and intermediaries; pawnshops; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus; the State Cadaster; and the State Registry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 – June 1, 2014

Convictions: 0: January 1 – June 1, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Armenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Armenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 21, 2014, amendments to the Law on Combating Money Laundering and Terrorism Financing and to 14 other laws regulating the AML/CFT framework passed the final reading at the National Assembly and became law. The amendments address, among other items, administrative sanctions, prohibition of bearer shares, a lowered threshold for reporting cash transactions, asset forfeiture provisions, an all crimes approach for predicate offenses for money laundering, and the adoption of a mechanism to freeze terrorist assets.

The financial intelligence unit (FIU) is taking steps to improve the operational environment by enhancing its analytic software and establishing an integrated information system for the secure exchange of information between law enforcement agencies. The Government of Armenia is gradually increasing the number of money laundering investigations and prosecutions. The FIU cooperates with U.S. law enforcement agencies when requested.

The government should provide criminal penalties for legal persons involved in money laundering, criminalize tipping off, and require additional scrutiny for domestic politically exposed persons (PEPs). Armenian authorities and the FIU should ensure all covered reporting

sectors provide mandated financial intelligence reports to the FIU. The government is seeking international assistance to better regulate its activities.

Aruba

Aruba is an autonomous entity within the Kingdom of the Netherlands. Aruba has sovereignty on most internal matters but defers to the Kingdom in matters of defense, foreign policy, final judicial review, human rights, and good governance. 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 a transshipment point for currency flowing in the opposite direction. 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 domestic and foreign criminal organizations, and occurs through real estate purchases and international tax shelters. There is no significant black market for smuggled goods on Aruba.

The Free Zone Aruba NV (FZA) is a government-owned limited liability company with three locations. All companies with free zone status are reviewed and controlled by the FZA, which also 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 under a licensing and reporting system.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,501: January - June 2013

Number of CTRs received and time frame: 7,250: January - June 2013

STR covered entities: Banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors, and dealers in art, antiques, vehicles, aircraft, and ships

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 37: December 1, 2012 – October 13, 2013

Convictions: 22: November 10, 2012 – October 13, 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Aruba is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/aruba-2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading, market manipulation, many types of environmental crimes, or fraud. Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting (UTR) 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, including those related to persons or groups listed on the UN sanctions list. Aruba complies with EU-imposed sanctions as part of the Kingdom of the Netherlands

Aruba amended the Criminal Code to designate terrorist financing as a criminal offense, and the government can freeze funds and other assets belonging to individuals and institutions that are related to terrorism and terrorist financing under the State Decree Combating Terrorism and Terrorist Financing. Aruba also enacted a State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) with new rules for the identification and verification of clients and the reporting of unusual transactions to prevent and combat money laundering and terrorist financing when providing certain services. Non-regulated financial service providers (including insurance brokers, investment brokers, factoring and leasing companies) and designated non-financial businesses and professions (including lawyers, civil notaries, tax advisors, accountants, jewelers, high-value goods dealers, casinos) must comply with the requirements of the AML/CFT State Ordinance. They must also register with the Central Bank of Aruba.

The Kingdom of the Netherlands, of which Aruba is an autonomous constituent part, may arrange for the ratification of any convention to be extended to Aruba. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999; the UN International Convention for the Suppression of the Financing of Terrorism in 2005; and the UN Convention

against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Australia

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

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

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

<http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The election of a new government in September 2013 resulted in a number of changes in implementation of the AML/CFT regulatory framework. In December 2013, the Minister for Justice announced the commencement of the statutory review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act). The review is being conducted by the Attorney-General’s Department with assistance from AUSTRAC. The review will examine the objectives and scope of the AML/CFT regime, opportunities for

deregulation, the risk-based approach to AML/CFT, and industry reporting obligations. The review will be completed in 2015 with the submission of a final report to the government.

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

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

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

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

In 2014, AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing. A sanitized report titled "Terrorism Financing in Australia 2014" notes that Australia's banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts. Terrorism financing in Australia varies in scale and sophistication, ranging from organized fundraising by domestic cells which are part of a larger, organized international network, to funds raised by small, loosely organized, and self-directed groups.

Austria

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods

dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, auditors, and customs officials

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 336 in 2013

Convictions: 8 in 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

Azerbaijan

Azerbaijan is at the crossroads of Europe and central Asia, with vast amounts of natural resources. As in recent years, in 2014 the majority of international trade (over 90 percent) and

foreign investment took place in the energy sector. All other sectors lag energy in development and sophistication, including the financial sector. This lag, coupled with Azerbaijan's shared history, long-standing trade relationships, and common borders with Iran and Russia, make Azerbaijan's financial institutions vulnerable to being used by foreign entities seeking money laundering/terrorist financing opportunities. The major source of criminal proceeds in Azerbaijan is endemic public corruption, which cuts across all sectors. International reports identify Azerbaijan as a transit country for the Afghan drug trade; Azerbaijani authorities suspect this illicit drug trade generates a significant amount of illicit funds. It is likely the current Iranian sanctions regime has also forced illicit funding into and out of Azerbaijan. Other generators of illicit funds include robbery, tax evasion, smuggling, trafficking, and organized crime. Money laundering likely occurs in the formal financial sector, non-bank financial systems, and alternative remittance systems. There is a significant black market for smuggled goods in Azerbaijan, which serves as a transit and destination country for illicit goods.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; insurance and reinsurance companies and intermediaries; notaries, lawyers, and auditors; company formation agents and asset managers; real estate brokers and agents; pawnshops; securities brokers and investment funds; lotteries; the National Post; and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 671: January 1 – November 1, 2014
Number of CTRs received and time frame: 276,521: January 1 – November 1, 2014
STR covered entities: Banks and money remitters; insurance and reinsurance companies and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; real estate brokers and agents; lotteries; pawnshops; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: January 1 – December 1, 2014
Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Azerbaijan is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL\(2008\)27Rep-AZE3_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2008)27Rep-AZE3_en.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Azerbaijan has made efforts to address financial institution vulnerability by bolstering the capabilities of its Financial Monitoring Service (FMS), implementing regulations in line with international standards, and working with donor support to implement systems to improve financial reporting. The FMS, Azerbaijan's financial intelligence unit under the Central Bank of the Republic of Azerbaijan, has improved its data collection, storage, and analysis. It is forward leaning in analyzing and providing statistics and in attempting to train personnel. However, the lack of interagency cooperation and inadequate training significantly diminish its investigative abilities. During the first ten months of 2014, 41 reports were submitted by the FMS to law enforcement agencies for investigation.

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

The small number of prosecutions and convictions demonstrate, in part, that there is too much emphasis on initiating money laundering investigations via the filing of suspicious transaction reports (STRs) and referrals by the FMS. Azerbaijan law enforcement and customs authorities should be trained to recognize money laundering at the street level. Concerned enforcement agencies also should examine regional trade-based money laundering and value transfer networks, and the link to tax evasion and underground financial systems. Public corruption is a concern and the Government of Azerbaijan should demonstrate the political will to address it.

Bahamas

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

the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money, despite strict know-your-customer and transaction reporting requirements.

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 270 in 2013

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

The Government of the Commonwealth of The Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and provide additional suspicious transaction report (STR) training. The financial intelligence unit (FIU), in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; passing proposed legislation to criminalize the participation in organized criminal groups; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards

to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in The Bahamas.

Bahrain

Bahrain is a leading financial center in the Gulf region. In contrast to its Gulf Cooperation Council neighbors, Bahrain has a primarily service-based economy, with the financial sector providing nearly 20 percent of GDP. It hosts a diverse group of financial institutions, including 116 licensed banks, 18 money changers, and several other investment institutions, including 151 insurance organizations. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. The vast network of Bahrain's banking system, along with its geographical location in the Middle East, as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market for smuggled goods or known linkages to drug trafficking.

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain and machinery imported by Bahraini-owned firms are also exempt from duty; the imported goods may be stored duty-free. These free zones are not a significant source for money laundering or terrorism financing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, investment houses, insurance firms, money exchangers, securities brokers and dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 830 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, investment houses, insurance firms, money exchangers, securities brokers and dealers, real estate brokers, gold dealers, car dealers, financial intermediaries, attorneys, auction houses, and galleries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2014

Convictions: 15 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Bahrain is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportOfBahrain.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Awareness within the capital markets and designated non-financial businesses and professions (DNFBPs) regarding suspicious transaction reporting (STR) obligations is inconsistent. Tipping off is not prohibited and should be criminalized. According to authorities, the informal and non-bank financial sectors are regulated and investigated. The Government of Bahrain is trying to increase its capacity to investigate irregularities among exchange houses. There is little awareness of trade based money laundering.

In 2014, 11 employees of UAE Exchange in Bahrain were convicted of participating in a BD350 million (approximately \$928 million) money laundering operation. Four others were also found guilty of participating in the scam, which involved smuggling money to Saudi Arabia, forging documents, hiding data, failing to provide registers documenting the company's transactions, and providing false information to the Central Bank of Bahrain. The crime was detected during a major investigation across Gulf Cooperation Council countries, including the United Arab Emirates, Bahrain, and Saudi Arabia.

The Government of Bahrain passed legislation in 2013 to criminalize 14 major offenses per the international standards. However, the Government of Bahrain acknowledges that a lack of specialized prosecutors and judges makes convictions a challenge.

Bangladesh

While Bangladesh is not a regional financial center, its geographic location, seaports, and long porous borders with India and Burma make it a transshipment point for drugs produced in both the "golden triangle" of Southeast Asia and "golden crescent" of Central Asia. Drug trafficking, corruption, fraud, counterfeit money, gold smuggling, and trafficking in persons are the principal sources of illicit proceeds. Bangladesh is also vulnerable to terrorism financing, including funding that flows through the hawala/hundi system and by cash courier. The Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh has publicly claimed to receive funding from Saudi Arabia.

The Bangladeshi economy relies heavily on remittances, with remittances through official channels reaching over \$11 billion in January-September, 2014. According to the central bank, the share of remittances transmitted through the formal sector is increasing, although there remains widespread use of the underground and illegal hawala/hundi alternative remittance system. Black market money exchanges remain popular because of the non-convertibility of the local currency, cash-based economy, and scrutiny of foreign currency transactions made through official channels. Alternative remittance and value transfer systems are also used to avoid taxes and customs duties. Additional terrorism financing vulnerabilities exist, especially the use of non-governmental organizations (NGOs), charities, counterfeiting, and loosely-regulated private banks.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations (NPOs), and NGOs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 621: July 1, 2013 – June 30, 2014

Number of CTRs received and time frame: 3,144,043: July 1, 2013 – June 30, 2014

STR covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, NPOs and NGOs, dealers of precious metals and stones, trust companies, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=060e4260-2ffd-4403-8594-6e4e8dc4b218>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Central Bank of Bangladesh and the financial intelligence unit lead the country's efforts to comply with the international AML/CFT standards. Although more work remains, Bangladesh has made important strides in improving its AML/CFT regime and in preventing the potential use of its financial system to finance terrorism. Nonetheless, strategic AML/CFT deficiencies remain. Bangladesh continues the process of fully implementing the Antiterrorism Act of 2009.

Implementation of existing laws remains a significant issue. The Government of Bangladesh should continue its work on further legislative amendments as well as implementing mechanisms, and should continue to improve investigation, prosecution, supervision, and enforcement capacity. The absence of money laundering convictions and the failure to professionalize its prosecution service is not commensurate with the size of Bangladesh's economy or its threat profile. Investigators and prosecutors prefer to pursue relatively straightforward crimes while failing to scrutinize the more complex, and potentially more serious, crimes. Bangladesh should improve its capacity to investigate financial crimes of greater sophistication – including corruption. The government should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections among corruption, money laundering, and related crimes. Finally, Bangladesh should also emphasize the importance of human intervention and analysis in terrorism financing cases, as the varied profiles of these cases may not trigger an automated report.

Criminal investigators and Bangladesh customs should systematically examine trade-based money laundering and value transfer. Not only will combating customs fraud provide needed revenue, but international trade is frequently used in Bangladesh and the surrounding region to provide counter-valuation or a method of settling accounts between hawala/hundi brokers.

Authorities should address weaknesses in the transaction monitoring systems and ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. While Bangladesh amended its legislation to prohibit “tipping off” and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the government in good faith, it must ensure financial institutions are compliant with these laws, especially given how pervasive corruption and bribery are in Bangladesh.

Barbados

Barbados is a regional financial center with a sizeable international business company (IBC) presence. The country's susceptibility to money laundering is primarily associated with the domestic sale of illegal narcotics and the laundering of criminal proceeds. There are some reports of proceeds from illicit activities abroad being laundered through domestic financial institutions. There is no evidence of public corruption or the offshore financial sector contributing to money laundering activity.

There are nine commercial banks and holding companies, 13 trusts and merchant banks, and 45 international banks licensed by the Central Bank of Barbados. The Central Bank of Barbados estimates the offshore sector is a \$32 billion industry. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs. IBCs are subject to heightened due diligence requirements for license applications and renewals, and are audited if total assets exceed \$500,000.

Bearer shares are not permitted. Observers have concerns with information sharing restrictions and the effectiveness of supervision. There are no free trade zones and no domestic or offshore casinos.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, securities and insurance brokers and companies, money exchanges or remitters, and financial management firms; lawyers, real estate brokers, high-value goods dealers and accountants; investment services or any other financial services; credit unions; building, restricted liability, and friendly societies; offshore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; and international trusts

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,501: January - June 2013

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and offshore banks and credit unions; money transmission services, investment services or any other financial services; credit unions; building, restricted, and friendly societies; offshore banks; IBCs and foreign sales

corporations; mutual funds and fund administrators and managers; international trusts; real estate agents; dealers in precious metals and precious stones; lawyers, trust and company service providers; insurance companies, accountants, and finance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Barbados is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=353&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is a Double Taxation Treaty with the United States and a specific agreement between Barbados and the United States for the exchange of information with reference to taxes.

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

The Government of Barbados should allotting more resources to ensure the financial intelligence unit, law enforcement, supervisory agencies, and prosecutorial authorities are fully staffed and have the capacity to perform their duties. Supervision of nonprofit organizations, charities, designated non-financial businesses and professions, and money transfer services could be better strengthened through increased reporting requirements and oversight, as should information sharing among regulatory and enforcement agencies. In addition, the government should consider taking a more aggressive approach to conducting examinations of the financial sector and asserting more control over vetting and licensing of offshore entities. Barbados should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Belarus

Belarus is not a major financial center. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. The concentration of power in the hands of the presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Economic decision-making in Belarus is highly concentrated within the top levels of government and, ultimately, in the presidency. Government financial institutions have little autonomy, and the financial sector is not sufficiently transparent and accountable. The growing use of the dollar and euro, prompted by a sharp devaluation of the Belarus ruble in late 2014, continues and some foreign

currency cash transactions elude the banking system. The potential for off-book cash transactions and underground markets was somewhat reduced in 2014 following tax reforms in 2013.

Trade-based money laundering occurs primarily between Russian and Belarusian businesses. Front companies are often involved and funds sometimes transferred for products that are never delivered.

There are many casinos, especially in the capital, Minsk, and foreign ownership is allowed. In 2013, the government introduced an automatic system to register winnings in legal gambling, which enables the real time registration of winnings. In 2014, the government passed various resolutions to tighten internal control in the gaming industry and issued risk management recommendations for such businesses.

Since 2006, Belarus has been the subject of numerous U.S. sanctions. In 2012, the United States enacted the Belarus Democracy and Human Rights Act that includes a package of sanctions expanding the list of Belarusian officials and law enforcement representatives subject to visa bans and financial restrictions. The United States also extended limitations on trade with Belarus under the International Emergency Economic Powers Act. In May 2012, the U.S. Treasury designated Belarus-based JSC CredexBank (renamed JSC InterPayBank) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 131,000 in 2014
Number of CTRs received and time frame: 47,000 in 2014

STR covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 8 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Belarus is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, the Government of Belarus took significant steps to improve its legal and regulatory framework to fight money laundering and terrorism financing, including the revision of its AML/CFT law. The revised law, which was adopted on June 30, 2014 and comes into effect on January 4, 2015, includes provisions on measures to prevent proliferation of weapons of mass destruction. In 2014, Belarus adopted a series of government resolutions that brings its financial regulatory framework in compliance with the revised AML/CFT law. Under the amended AML/CFT law, banks have the right to suspend or ban suspicious financial transactions.

The revised AML/CFT law prompted some amendments in the Criminal Code. Most of these amendments were made in Article #290 “Threat to Commit an Act of Terrorism.” The amended Article now criminalizes activities related to recruiting, training, and employing individuals for terrorist activities and participation in a terrorist organization and was reworded to comply with relevant international standards. Two articles also were added to the Code on Administrative Offenses to introduce liability of legal persons both for money laundering and financing terrorism.

In 2014, the National Bank conducted preliminary investigations under the Code of Administrative Offenses regarding 52 bank employees for violating registration procedures for financial transactions subject to special control and for violating procedures for collecting client identity information. It also investigated the cases of two banks under the same code for taking no action to prevent money laundering.

In 2014, the National Bank announced plans to draft identity data collection procedures for owners of e-wallets. Also in 2014, the filing requirements for corporate income tax and value-added tax were simplified. The Finance Ministry reportedly plans to draft tougher internal control regulations for lottery organizers. In particular, Ministry officials may monitor the issuance of major lottery prizes.

The Government of Belarus claims asset sharing is possible under the October 5, 2007 CIS AML/CFT agreement, though it would require conclusion of a separate agreement to this effect.

While Belarus has made progress in several areas, deficiencies remain, particularly in implementation and enforcement. Belarus should take steps to combat corruption in commerce and government. The government also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Belgium

Despite Belgium's physically small size, its location in the center of Europe and considerable port facilities have facilitated the development of a strong and internationally integrated banking industry with assets of about \$1.3 trillion as of 2013. Belgium's port of Antwerp is the second busiest port in Europe by gross tonnage and, together with the nearby larger port of Rotterdam in the Netherlands, handles the bulk of European maritime trade. A sophisticated national transportation network and historical role as a hub for airline traffic to Africa also aids Belgium's central role in Europe.

Bulk cash smugglers, the principal money laundering concern per law enforcement, use the country's convenient location and modern transportation links to move illicit drug proceeds, mainly from European cocaine sales, out of the region. Difficulties in monitoring movements in the sprawling port of Antwerp, an abundance of under-regulated small airports, and limited investigations into passengers repeatedly declaring more than 10,000 euros (approximately \$11,900) at the main airport of Zaventem facilitates the movement of cash. For the most part the bulk cash only transits the region, due to strong banking controls that make introducing the funds into the formal banking system difficult. Illicit funds, however, do enter the banking system. The CTIF, Belgium's financial intelligence unit, estimates that in 2013 the total amount of illicit funds in circulation was about \$3 billion. Illicit funds derived from tax fraud appear to be the main source of that amount. Other sectors with a high risk of money laundering in Belgium include the cash-based trade in gold and used cars.

Belgium's colonial ties with Africa have helped position the country as a leader in the diamond trade; approximately 80 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium. Antwerp is the largest of the six major diamond hubs in the world with around \$55 billion in diamond sales in 2013. 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 also ideal for trade-based money laundering, or valuing shipments incorrectly in order to launder funds. The opaque and closed nature of the Antwerp diamond industry remains an obstacle to money laundering investigations.

According to CTIF, most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Belgium generally has very little public corruption that contributes to money laundering. According to the 2013 CTIF annual report, contraband smuggling represents 14.1 percent of all tracked cases, while terrorism financing represents only 2.14 percent.

However, Belgium has challenges with sourcing and returning fighters that volunteer to serve in Middle East terrorist groups, which may increase the vulnerability of its money transfer services to terrorist finance.

Casinos are licensed. The total number of casinos is limited to nine. There continues to be steady growth in Internet gaming.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22,966 in 2013

Number of CTRs received and time frame: 5,345 in 2012

STR covered entities: Banks, money remitting agencies, credit bureaus, Belgian post office, notaries, casinos, life insurance companies, accountants, real estate agents, National Bank of Belgium, private security firms, lawyers, diamond merchants, auditors, tax advisors, and surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Government of Belgium established a new Ministerial Committee to coordinate AML efforts and extended the scope of a previously seated committee to analyze the threat of terrorism financing.

Belgium's legislation does not cover politically exposed persons (PEPs) in line with international standards. The definition of PEP includes neither domestic PEPs nor those who perform prominent functions within international organizations. Additionally, the law includes a limited list of persons considered as family members or close associates. Somewhat mitigating these deficiencies is the requirement that all financial institutions undertake enhanced due diligence (EDD) for transactions or customers perceived to be of higher risk. However, as there is no consistent policy on PEPs, the decision to use EDD is made by individual institutions.

The port of Antwerp's large size and difficulty in effectively analyzing the contents of 8.6 million container-equivalent units that move through the port each year help facilitate the movement of illicit funds and the transfer of illicit value. More strict control over the ability of cargo handlers to access and transport merchandise could discourage the transport of bulk cash and other illicit shipments.

Antwerp's insular diamond industry would benefit from greater transparency and supervision. Of the 22,966 suspicious transaction reports (STRs) lodged in 2013, only one came from a diamond merchant. According to CTIF's 2013 annual report, of the 1,168 financial crimes cases that CTIF referred to prosecutors, only 25 (2.1 percent) were connected to possible terrorism and/or proliferation financing, a slight increase from the previous year. Of those 25, 21 are being investigated by police, and four were dismissed.

The Government of Belgium should review and amend its legislation, as appropriate, to bring its definition of PEP in line with international standards. Belgium should increase its supervision of the diamond industry, considering its size and vulnerability to money laundering and terrorist financing activity. The government should consider increasing efforts to share targeted trade data with its trading partners in an effort to spot trade anomalies that could be indicative of trade fraud, trade-based money laundering, or underground finance. In addition, the Belgian Customs and Excise administration should consider pursuing more investigations involving people repeatedly declaring over 10,000 euros (approximately \$11,900) at Zaventem. Belgian law enforcement also should improve its ability to coordinate with units in neighboring countries to seamlessly pursue investigations across national boundaries.

Belize

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. The Government of Belize continues to encourage the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141: January 1 - November 14, 2014
Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

The financial intelligence unit (FIU) is responsible for enforcement and implementation of all AML/CFT-related regulations as well as international sanctions lists, domestic tax evasion, and

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

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

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

Benin

Money laundering occurs in Benin through its banking system and money service businesses. Other schemes include trade-based money laundering, the purchase of real estate, bulk cash smuggling, and the use of shell companies.

Benin serves as a regional re-export hub across various industries and is, therefore, vulnerable to money laundering. Particular cases linked to Benin include the proceeds of narcotics trafficking being commingled with the sale of imported used cars primarily in neighboring countries. In recent years, Benin was involved in large international schemes in which Lebanese financial institutions linked to Hezbollah, 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, which 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. Hezbollah, which the U.S. Department of State has designated as a Foreign Terrorist Organization, reportedly derived financial support from the criminal activities of this network.

There is also significant informal trade with Nigeria of consumer goods including frozen poultry, medicine and vegetable oil. A large percentage of automotive fuel sold in Benin is informally imported from Nigeria through illicit markets. Internet fraud is also common with recent arrest of cybercriminals claiming to have links to fraudulent operations in several West African countries. Benin is a transit point for cocaine and heroin moving from Latin America, Pakistan,

and Afghanistan into Europe and Southeast Asia. Human trafficking and corruption also are of serious concern.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones, and artifacts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 29 in 2012
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones, and artifacts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

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

Benin is a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.giaba.org/reports/mutual-evaluation/Benin.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Benin has taken steps to construct an AML/CFT regime; however, it suffers from poor information sharing and cooperation among government agencies and departments. Additionally, Benin's law enforcement is hindered by a lack of financial crimes expertise. There

is little data to reliably measure progress in combating money laundering. The Government of Benin has established a financial crime unit (Sous-Direction des Affaires Economiques et Financières) under the Judicial Police Directorate (Direction centrale de la Police judiciaire).

KYC and suspicious transaction reporting (STR) requirements are not routinely implemented. AML/CFT controls are not applied to non-bank financial institutions, despite their coverage under the law. Despite a requirement to declare transfers of funds equal to or exceeding 2,000,000 FCFA (approximately \$3,500) across borders, Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share data with the financial intelligence unit (FIU).

Benin should strengthen both its specialized financial crime unit and its FIU. Benin also should ensure its laws are fully implemented across all relevant sectors, including non-bank businesses and professions.

Bermuda

Bermuda, a British Overseas Territory, is a major offshore financial center. It is the third largest reinsurance center in the world and the second largest captive insurance domicile. Bermuda is not a drug source or major drug transit country. The little money laundering that occurs in Bermuda is believed to be principally related to the domestic drug trade. Money laundering proceeds are controlled primarily by domestic gangs, which have proliferated in recent years.

There is no significant black market for smuggled goods in Bermuda. There is no known money laundering/terrorist financing activity through free trade zones, or money or other value transfer services in Bermuda. Bermuda does not permit offshore banks. A foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but it may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies. Sports betting is legal, but online betting and casinos are not permitted. The current government has stated it intends to propose legislation to allow limited casino gambling.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, money service businesses, trustees, securities brokers and financial management firms, long-term insurance companies, insurance managers and brokers, fund administrators, investment fund operators, independent legal advisers and accountants, and corporate service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 256: January 1 - October 31, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons in the course of their “trade, profession, business or employment”

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39: January 1 - October 31, 2014

Convictions: 7: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Bermuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=351&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In March 2014, Bermuda enacted the Charities Act 2014, effective December 31, 2014. The 2014 Charities Act clarifies what is meant by charity, gives the Registrar and Charity Commissioners increased regulatory authority, and strengthens reporting requirements for registered charities. The Charities Regulations 2014 were published on November 12, 2014, also effective December 31, 2014. The Charities (Anti-Money Laundering and Anti-Terrorist) Financing Regulations were pending legislative consideration in November 2014.

In 2014, cash seizures amounted to \$61,495 and forfeitures to \$535,134.

The majority of filed suspicious transaction reports (STRs) continue to show a trend of suspicious currency exchanges, with 75 percent of the STRs involving the exchange of Bermuda currency for a foreign currency, usually U.S. dollars. The Financial Intelligence Agency Bermuda believes it is highly likely the reported cash exchanges are intimately connected with Bermuda’s drug trade.

The Government of Bermuda works closely with international partners. In November 2014, Bermuda complied with a request from the U.S. Department of Justice (DOJ) to restrain funds and provide the DOJ with bank account information in an ongoing fraud case. Also in 2014, the regulatory Bermuda Monetary Authority assisted the Securities and Exchange Commission with

the collection of documents and testimony in five separate cases. As of October 31, 2014, four money laundering cases were before the courts, including one carried over from 2013.

As a British Overseas Territory, Bermuda cannot sign or ratify international conventions on its own, but the UK, which is responsible for Bermuda's international affairs, may extend the ratification of any convention to Bermuda and permit the Government of Bermuda to sign treaties and memoranda of cooperation or understanding with other countries. The 1988 UN Drug Convention was extended to Bermuda in 1995. The UK extended to Bermuda the UN Convention against Transnational Organized Crime on August 5, 2014, and the International Convention for the Suppression of the Financing of Terrorism on October 3, 2014. The UN Convention against Corruption (UNCAC) has not yet been extended to Bermuda, although the government of Bermuda is preparing the necessary legislation to enshrine the articles of UNCAC in domestic law.

Bolivia

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 422 in 2012

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 40 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

A continued lack of personnel in the financial intelligence unit, the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework limit the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of

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

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

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

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

Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) has primarily a cash-based economy and is not an international or regional financial center. Most money laundering activities in BiH are for the purpose of evading taxes. A lesser amount involves concealing the proceeds of illegal activities including trafficking in persons, illicit drugs, organized crime, and corruption.

With porous borders and weak enforcement capabilities, BiH is a significant market and transit point for smuggled commodities, including cigarettes, illicit drugs, firearms, counterfeit goods, lumber, and fuel oils. Bulk cash couriers also are used by organized criminal elements and potential terrorist financiers. There is no indication BiH law enforcement has taken action to combat the trade-based money laundering likely to be occurring in the country. Corruption is endemic, affecting all levels of the economy and society.

On June 1, 2014, the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) issued a Public Statement noting BiH's failure to amend its AML/CFT law to correct important deficiencies. In a follow-up Public Statement issued on December 12, 2014, MONEYVAL continues to recommend that countries and jurisdictions advise their financial institutions to pay special attention to transactions with persons and financial institutions from or in BiH.

There are four active free trade zones (FTZs) in BiH, with production based mainly on automobiles, forestry and wood products, and textiles. There have been no reports these areas are used in trade-based money laundering. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring FTZ activities.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, currency exchange offices, and entities issuing, managing, and processing transactions with debit and credit cards and other means of payment; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, and precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; privatization agencies; and charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 167: January 2014 - September 2014
Number of CTRs received and time frame: 283,582: January 2014 - September 2014
STR covered entities: Banks, currency exchange offices, and entities issuing, managing, and conducting transactions with debit and credit cards and other means of payment; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2: January 2014 - September 2014
Convictions: 4: January 2014 - September 2014

RECORDS EXCHANGE MECHANISM:

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

Bosnia and Herzegovina is a member of Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/BH_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

BiH's political structure and ethnic politics hinder the effectiveness of its AML/CFT regime. Coordination of law enforcement efforts among the multiple jurisdictional levels in BiH - the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District - is improving, but additional efforts are necessary.

Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District were enacted and harmonized in 2003, but further harmonization is necessary. Since the State does not have the resources to investigate all money laundering violations, the respective criminal codes complement one another. The jurisdictions, however, maintain separate bank supervision and enforcement/regulatory bodies. Although BiH has an overarching law providing a framework for implementing UNSCRs, in some cases, it lacks appropriate implementing regulations.

In June 2014, the BiH Parliament adopted changes to the Law on Prevention of Money Laundering and Terrorist Financing, including an increased ability to monitor domestic politically exposed persons (PEPs) and a clarified and enhanced ability to disseminate information to domestic law enforcement agencies. Additionally, the BiH decided to retain a law enforcement model financial intelligence unit (FIU). However, due to internal political obstacles, Parliament failed to pass amendments to the criminal code that would result in punishments for suspects caught breaking the updated law.

Customs officials have the authority to seize unreported currency in excess of the equivalent of \$3,460 transported across the border. The dispositions of these seized currencies are handled in minor offense proceedings, in accordance with laws established at the entity level within BiH. If the seized currency is suspected of having criminal origins, or of being the proceeds of money laundering activity, the State Investigation and Protection Agency (SIPA) Financial Intelligence Department (FID), the FIU, has the authority to temporarily seize the funds and initiate criminal proceedings. In addition, BiH law requires customs officials and the Indirect Tax Administration to notify the FID of all reported cross-border transportation of cash and securities in excess of the equivalent of \$6,920. Nevertheless, due to weak enforcement and corruption, large amounts of currency leave and enter the country undetected.

In the first nine months of 2014, authorities believe an estimated KM 19.3 million (approximately \$11.8 million) was laundered in BiH. This money was funneled through the financial system into legal money flows. The SIPA confirmed that the resulting damage to the budget was KM 9.1 million (approximately \$5.5 million). The volume of money laundering is estimated to be higher in 2014 than in 2013.

As of November 2014, the FID had submitted eight investigative reports to the prosecutor's office; subsequently, the Prosecutor's office issued 10 orders freezing accounts. Based on these orders, transactions in the amount of KM 3.8 million (approximately \$2.4 million) were blocked. The SIPA reported that, in a few of the cases it was investigating, the accounts of offshore companies were used to transfer money. In many cases money is transferred from company accounts to individual accounts and vice versa; it is hard to determine the origin of the money and the real purpose of these transactions. Officially, the FID has access to other government entities' records, and formal mechanisms for interagency information sharing are in place. In

practice, however, the FID has only indirect access to the full range of databases required to perform proper analysis.

Bosnia and Herzegovina's law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. BiH should completely implement its anti-corruption strategy and combat corruption at all levels of commerce and government. The government should also adopt a comprehensive asset forfeiture law that implements a formal mechanism for the administration of seized assets, and should enact implementing legislation for the international conventions to which it is a party.

Botswana

Botswana aspires to be a regional financial center under its national Economic Diversification Drive strategy. Although money laundering in Botswana is not primarily related to narcotics, there has been an increase in drug trafficking in recent years, as well as in the sophistication and level of organization of cross-border crime. The presence of organized criminal groups continues to grow, as is the trade in second-hand cars, which present certain risks related to money laundering. In recent years there has been an increase in the amount and frequency of fraud perpetrated against large organizations, e.g., banks or government departments, typically with the collusion of an employee, and money laundering prosecutions have centered on these types of criminal activity. Botswana is a cash-based society, and there is insufficient infrastructure to address money laundering and terrorism financing.

Botswana supplies many of the world's diamonds. The stringent institutional framework for the mining and processing of diamonds affords limited opportunity for organized diamond smuggling. The smuggling that does occur is not believed to be linked to terrorism financing or the laundering of criminal proceeds. The DeBeers' Diamond Trading Company relocated from London to Gaborone in 2013, and the Government of Botswana is seeking to expand its downstream diamond manufacturing, which could result in additional wholesale and retail diamond marketers setting up businesses in Botswana. The growth of this industry presents an increased risk of money laundering and illicit financing activity.

Botswana operates the International Financial Service Center (IFSC), an organization authorizing entities to provide offshore financial services. IFSC-accredited companies provide a range of financial services, including fund management, banking, international insurance, and intermediary services. Those services must be provided to clients outside Botswana and in currencies other than the pula. The supervisory standards applied to domestic financial service providers are also applicable to IFSC-authorized entities. Shell companies and anonymous directors are prohibited.

The Botswana Authorities believe there is a low risk of terrorist activity in the country, but they are increasingly concerned about the potential for terrorists to focus on Botswana as a soft target and they acknowledge the risk of terrorism financing.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance businesses, foreign exchange dealers, and the IFSC certification committee

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance businesses, foreign exchange dealers, and the IFSC certification committee

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Botswana is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Intelligence Agency (FIA) became operational in February 2014. As the financial intelligence unit, the FIA is now processing suspicious transaction reports (STRs) and currency transaction reports (CTRs). The FIA also is the secretariat of the National Coordinating Committee on Financial Intelligence. The committee is the national policy-making body for combating financial offenses. As of November 2014, the FIA has a director, three Analysis Department staff, two Legal Department staff, and one Compliance Department staff member. The FIA is currently adding four new positions and has requested additional staffing in the government’s 2014/2015 budget cycle. Capacity-building training and technical assistance will

be key to the FIA's successful performance. The FIA is currently not publishing STR and CTR data and is developing its data release policies. It also is preparing to replace manual STR procedures with an electronic system in 2015.

In July 2014, the Parliament passed into law the Counter-Terrorism Act, the Proceeds and Instruments of Crime Act, and the Anti-Human Trafficking Act. The Proceeds and Instruments of Crime Act introduces a system for identifying and forfeiting assets. Previously, the Directorate of Public Prosecution's Asset Forfeiture Unit had seized assets before trial, but they could only be forfeited or confiscated after conviction. The Counter-Terrorism Act criminalizes the financing of terrorism, makes it a crime not to report suspected terrorist financing, and introduces the ability to freeze terrorist assets without delay. There have been no terrorism or terrorism financing-related prosecutions. These systems and provisions were introduced by law in July 2014 and the Proceeds and Instruments of Crime Act and the Anti-Human Trafficking Act enter into force on January 1, 2015. The Government of Botswana is currently establishing the necessary institutions in order to implement the Counter-Terrorism Act. None of the AML-related laws and regulations of Botswana contains requirements related to politically exposed persons (PEPs), foreign or domestic.

An amendment to the Firearms and Ammunition Act addressing arms proliferation remains pending with Parliament. The Non-Bank Financial Institutions Regulatory Authority is responsible for AML oversight of non-financial institutions. However, there is no legal provision in Botswana for a covered entity, other than a bank, to actually monitor for complex, unusually large transactions, or unusual patterns of transactions with no apparent lawful purpose.

The Directorate on Corruption and Economic Crime is actively investigating an increasing number of corruption cases, but the Directorate of Public Prosecutions is extremely under-resourced and lacks the training and experience to obtain convictions in those cases.

Botswana took concrete measures to improve its AML/CFT regime in 2014, although further steps are needed to bring it fully in line with international standards. The FIA is working toward commencing its National Risk Assessment in early 2015. This process will provide insights into the strengths and weaknesses of Botswana's AML/CFT regime and clarify next steps and priority issues.

Brazil

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

São Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

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

British Virgin Islands

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 235 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies and money services institutions; real estate agents, lawyers, other independent legal advisers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

Brunei Darussalam

Brunei is not a regional financial center. Brunei does have a small offshore financial center and its proximity to high crime regions, along with its large foreign worker population and limited AML/CFT institutional capacity, make it vulnerable to cross-border criminal activity. Domestically, Brunei is a low threat country for money laundering and terrorism financing. Proceeds of crime generally originate from fraud, gambling, the drug trade, and fuel smuggling. There are also concerns about an increase in cybercrime, and in particular, financial fraud such as pyramid schemes and e-mail scams. Gambling is illegal, and Brunei has a mandatory death penalty for many narcotics offenses, although it hasn't been used for many years.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; TAIB, the government-owned Islamic trust fund; insurance companies; finance companies, mutual fund dealers, and securities dealers; money exchange companies; money remittance companies; registered agents, trustees, and trust and company service providers; real estate agents; casinos (although there are none in Brunei); dealers in precious metals, precious stones, and jewelry; advocates, solicitors, notaries, other independent legal professionals, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 103: January 1 - November 17, 2014

Number of CTRs received and time frame: 33,852: January 1 - November 17, 2014

STR covered entities: Banks; TAIB; insurance companies; finance companies, mutual fund dealers, and securities dealers; money exchange companies; money remittance companies; registered agents, trustees, and trust and company service providers; real estate agents; casinos (none currently in Brunei); dealers in precious metals, precious stones, and jewelry; advocates, solicitors, notaries, other independent legal professionals, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since January 1, 2014, the Financial Intelligence Unit (FIU) of the Autoriti Monetari Brunei (AMBD), Brunei's central bank, has increased training of reporting entities on suspicious transaction reports (STRs) and AML/CFT requirements. The FIU recently acquired a database and analysis tool, enabling the submission of STRs online. As a result, the FIU has reported an increase of reported STRs. The FIU became a member of the Egmont Group of Financial Intelligence Units in June 2014.

Beginning in 2014, companies in the remittance and money changing sectors are required to submit a monthly report of all transactions to AMBD to enable better supervision. Onsite inspections are underway for all licensees as a prerequisite for renewal of licenses. These inspections are intended to ensure all licensees are in compliance with all laws and regulations stipulated by AMBD as well as AML/CFT requirements.

Investment fraud and illegal deposit taking are considered unlicensed activities and are closely monitored by the Enforcement Unit within the FIU. A working committee was established under the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), composed of the FIU; Capital Market and Takaful/Insurance Supervision Division, AMBD; Attorney-General's Chambers; Commercial Crime Investigation Division, Royal Brunei Police Force; Internal Security Department; Ministry of Home Affairs; Royal Customs and Excise Department; and Immigration and National Registration Department. The objective of the working committee is to facilitate the exchange of information and coordinate efforts.

Law enforcement agencies have received additional training to improve their capacity to investigate, particularly in the areas of money laundering, terrorism financing, and other serious crimes. About 50 law enforcement personnel received training on financial investigation and on cross-border control of cash and bearer negotiable instruments in 2014. These courses were

funded by the NAMLC with the objective of building capacity of these investigators. Law enforcement agencies currently are developing procedures on conducting financial investigations, in line with powers and responsibilities given by the Criminal Asset Recovery Order, 2012. A similar manual is being drafted for Prosecutors.

During 2014, Brunei detained a foreign national (member of Jemaah Islamiyah) under the Internal Security Act (Chapter 133) for involvement in terrorist related activities.

In 2014, the NAMLC endorsed an updated National Strategy on Anti-Money Laundering and Combating Financing of Terrorism for the period Fiscal Year 2014 - 2016. The new National Strategy builds upon the previous strategy, along with an AML/CFT national risk assessment, and addresses effective law enforcement, strengthening supervision activities and regional and international AML/CFT cooperation, and ensuring an effective AML/CFT regime. Brunei is obtaining technical assistance from international donors to conduct a national risk assessment on money laundering and terrorism financing.

Brunei should continue its efforts to ensure intellectual property crimes are fully criminalized and prosecute offenders. While Brunei Darussalam issued a notice to banks to conduct enhanced due diligence on politically exposed persons (PEPs) in 2011, it is unclear how effective this instruction has been. Authorities should continue developing operating procedures and training investigators.

Bulgaria

Bulgaria's geo-strategic location as an entry point into Europe, as well as persistent problems with the rule of law, makes the country a significant source of money laundering. This is exacerbated by the large, cash-based grey economy and high levels of corruption, which increased in 2014. Other activities that are connected or lead to money laundering in Bulgaria are tax and custom offenses; fraud; usury; cybercrime, especially ATM and credit card fraud; and the trade of contraband goods, such as cigarettes, alcohol, and fuel.

Industries that Bulgarian criminals use for money laundering include tourism, gaming, retail, construction, healthcare, and energy. Within these sectors, small businesses are created to hide laundered funds, increasingly in offshore territories where ownership is difficult to trace. The businesses most frequently used for this purpose in 2014 were casinos, hotels and night clubs, car dealerships, shopping centers, pawn shops, and metal scrap collectors.

A significant facet of the grey economy in Bulgaria is large-scale tax evasion, particularly of value-added tax (VAT) and excise duties. Proceeds from VAT fraud are significant and are largely transferred out of the country to foreign accounts held by offshore companies. They are then returned to Bulgaria and declared as loans, thus creating a legal origin for future use. Evasion of social security payments, through unreported income and informal employment arrangements, continues to be widespread.

The flow of remittances sent home by Bulgarians working abroad is difficult to measure, but according to official statistics, it is increasing.

Bulgaria's banking sector is dominated by foreign-owned banks. Domestic banks, which account for one quarter of the sector, are more vulnerable to money laundering than their international competitors due to less oversight and the need to hold riskier portfolios to compete.

The six free trade zones in Bulgaria operate under outdated and permissive legislation, which allows firms to avoid paying customs fees on taxable goods, such as gas derivatives and cigarettes sold within Bulgaria.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES
KYC covered entities: Banks, money exchangers, insurance companies, investment funds, notaries, gaming businesses, securities dealers, real estate brokers, political parties, sports clubs, non-profit organizations (NPOs), lawyers, auditors, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,179: January 1 - June 30, 2014
Number of CTRs received and time frame: 97,260: January 1 - June 30, 2014
STR covered entities: Banks and money exchangers; insurance companies; investment funds; gaming businesses; securities dealers and company service providers; real estate brokers; political parties, professional organizations, and trade unions; sports clubs; NPOs; dealers of autos, arms, petrol, and petrochemical products; accountants, notaries, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 41 in 2013
Convictions: 16 in 2013

RECORDS EXCHANGE MECHANISM:

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

Bulgaria is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style

regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Bulgaria_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Bulgarian AML legislation is generally in line with international standards. However, some deficiencies remain concerning the list of predicate offenses, which does not cover all categories of piracy, market manipulation, and insider trading, as well as all aspects of terrorism financing.

The primary responsibility for AML measures for all reporting entities rests with the Financial Intelligence Directorate of the State Agency for National Security (FID), the country's financial intelligence unit. The Bulgarian National Bank (BNB) also has a Special Supervision Directorate to investigate banks for compliance with the money laundering and terrorist financing requirements. However, the 2014 bankruptcy of Bulgaria's fourth largest bank (CCB) and a run on the country's third largest bank (FIB) exposed serious flaws in the accounting and auditing of bank transactions, as well as bank supervision, which appear to have been subject to political influence. In addition to the bankruptcy proceeding, an investigation is ongoing against CCB's owner for embezzlement and a BNB Deputy Governor for dereliction of supervisory duties.

The national Strategy for Combating Money Laundering (2011-2015) remains in place, although political volatility in 2013 and 2014 hampered enforcement. Implementation of the new non-conviction-based asset forfeiture legislation, which allows investigation and seizure without criminal conviction, began in 2014. Many cases are currently underway but results have yet to be seen.

Although reporting by non-bank institutions, such as gaming entities, investment intermediaries, notaries, NPOs, and leasing companies has increased, it continues to be low. FID's resources remain limited, particularly with respect to performing onsite inspections in non-banking institutions. Publicly available information on persons who own, control, or direct the activities of NPOs is not consistently maintained.

Financial crime enforcement capacity is limited. Aggressive prosecution of money laundering cases is significantly hampered by the lack of financial expertise within law enforcement and the Prosecution Service, and by the limited available pool of independent experts. Slow introduction of e-government initiatives, especially for public procurement, has created opportunities for fraud and impeded law enforcement efforts. Other limitations are based on a reluctance of key witnesses to testify against organized criminal groups and lack of incentives to motivate prosecutors to take on such complex cases. The authorities generally opt to pursue easy-to-prove, low level corruption and related money laundering cases. These investigations rarely go deeper into the target's tax history and affiliation with political patrons. In November 2013, prosecutors launched a money laundering investigation into an influential Bulgarian politician who resigned as Deputy Speaker of Parliament days before being formally charged with the crime. An inspection of his assets for possible recovery through the civil court system is still ongoing.

The government did not identify, freeze, seize, or forfeit any terror-related assets.

Burkina Faso

Burkina Faso is not a regional financial center. Its economy is primarily cash-based, and most economic activity takes place in the informal sector. Only an estimated 13 percent of the population had bank accounts as of 2012. Burkina Faso lacks the resources necessary to monitor adequately the movement of goods and people across its porous borders. Narcotics trafficking, smuggling, contraband sales, and black market currency transfers occur within the country. Corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are major challenges to the government's ability to counter these activities. Burkina Faso continues to struggle with corruption in its customs service and, to a lesser degree, in the National Police, increasing the country's vulnerability to smuggling and money laundering.

Following the abrupt resignation of former President Blaise Compaore in October 2014 due to a popular uprising, the country is under a transitional government until elections are held, likely in November 2015, and this could hamper administrative and judicial functions. It could also increase the country's susceptibility to illicit activities including smuggling and money laundering.

While there is no significant domestic market for illicit or smuggled goods in Burkina Faso, there is evidence that goods have been smuggled across the country's borders and through the airport in Ouagadougou, specifically narcotics, cigarettes, and endangered animal species. Those involved in smuggling are generally not producers, organizers, or financiers; they are generally low-level couriers serving criminal and trafficking networks based in neighboring countries.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: The Public Treasury, Central Bank of West African States (BCEAO), banks and microfinance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, nongovernmental organizations (NGOs), and agents selling high-value goods and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52: January 1 - November 19, 2014

Number of CTRs received and time frame: 0 in 2014

STR covered entities: The Public Treasury, BCEAO, banks and microfinance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, NGOs, and agents selling high-value goods and precious metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January 1, 2014 - November 19, 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Burkina Faso is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Burkina%20Faso.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Burkina Faso has a three-year strategy, from 2014-2016, for fighting financial crime, but much of this strategy has not yet been implemented. One aspect, a strengthening of financial disclosure requirements for government officials, has been included in the charter for the transitional government that was adopted November 16, 2014. Until recently, high-ranking government officials have been required to file financial disclosure forms with the Constitutional Council on entering and leaving office. Under the new requirements, the disclosure of the President will be published in the Official Journal, and the Court of Auditors will be able to investigate the assets of high level government officials.

In May 2014, the government adopted a decree to regulate and track the proceeds of coin-operated slot machines, which had previously not been regulated. Also in 2014, the government put in place a committee on administrative asset freezing. It has not yet used its powers to freeze assets in any particular case.

Burkina Faso's financial intelligence unit (FIU) is the National Financial Information Processing Unit (CENTIF). CENTIF reports there are 14 individuals currently being prosecuted for money laundering or other financial crimes, with four new cases in 2014. It can take years for criminal cases in Burkina Faso to reach a conclusion, and there were no convictions in 2013 or 2014.

Burkina Faso remains at risk of money laundering and faces threats emanating from predicate criminal activities and insecurity in the Sahel region. Its capacity to respond to these threats remains insufficient, although the Government of Burkina Faso continues to cooperate with regional and global counterterrorism efforts. Records exchange with countries outside of the

West African Economic and Monetary Union (WAEMU) is possible via bilateral agreement, and Burkina Faso's CENTIF is open to exchanging information with counterpart FIUs on a reciprocal basis, which it has done in several cases.

Burkina Faso should move prosecutions of financial crimes through its court system, demonstrate the effectiveness of its terrorist asset freezing regime, incorporate the WAEMU directives on money laundering and terrorist financing into its national law, adopt procedures for the declaration or disclosure of cross-border currency movements, and fully implement its national strategy to combat money laundering and terrorism financing, especially given the challenges inherent in the regional security environment. Furthermore, the Government of Burkina Faso should strengthen due diligence measures in the financial system, the supervision and monitoring of reporting entities, and international cooperation efforts.

Burma

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

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

Corruption is endemic in both business and government. State-owned enterprises and military holding companies retain significant influence over the economy, including control of a substantial portion of Burma's natural resources. There is a continued push to privatize more government assets. The privatization process provides potential opportunities for graft and money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Rising trade and investment flows, involving a wider range of countries and business agents, also provide opportunities for increased corruption and illicit activities. The rule of law remains weak and Burma continues to face significant risk of narcotics proceeds being laundered through commercial ventures.

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma's financial sector is extremely underdeveloped and most currency is still held outside the formal banking system, although bank deposits have increased over the past several years. The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is weak. On October 1, 2014, the government awarded limited banking licenses to nine foreign banks. The banks will be restricted to providing loans in foreign currency and be required to partner with local banks in order to lend to local companies. This is likely to significantly increase the volume and frequency of cross-border currency transfers over the next few years. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct.

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

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

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

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

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

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

Burundi

Burundi is not considered a significant center for money laundering or terrorist financing. The Government of Burundi has enacted AML/CFT legislation and become a party to relevant conventions, but has yet to commit funding, provide training, implement policies, or demonstrate the political will to counter money laundering in practice. Corruption is a significant problem and corrupt Burundian politicians are adept at devising methods of laundering stolen Burundian assets both in-country and abroad, enjoying near impunity.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0
Number of CTRs received and time frame: 0
STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Burundi is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although AML/CFT laws exist, there appears to be little political will to prosecute violators or to commit the resources to investigate possible crimes, particularly those that could implicate high-level government officials. The enforcement of laws in general is hindered by a dysfunctional and corrupt administration and a severe lack of capacity in supervisory, investigative, and enforcement bodies. The Bank of the Republic of Burundi, the country's central bank, supervises and examines financial institutions for compliance with AML/CFT laws and regulations. A law requiring banks to report large deposits or transactions to authorities is not enforced.

Neither the Financial Crime Unit (FCU) of the Burundian National Police nor the Financial Intelligence Unit (FIU) of the Ministry of Finance has conducted any financial investigations.

Reliable information indicates the FIU is not operational and that no personnel have been assigned to the unit. Burundian law enforcement officials lack training and expertise in investigating financial crimes.

The Government of Burundi should develop an oversight capability and provide sufficient resources, funding, and training for the FIU and the FCU. Burundi also should become a party to the International Convention for the Suppression of the Financing of Terrorism, and take steps toward becoming a member of an FSRB.

Cabo Verde

As a small archipelago nation off the coast of West Africa, Cabo Verde has a small financial system, primarily composed of the banking sector. Located between Africa, Europe, the Caribbean, and South America, Cabo Verde is experiencing an increase in illegal immigration and trafficking of narcotics. Given its large shadow economy, Cabo Verde is vulnerable to money laundering operations and terrorist financing. At present, the vast majority of laundered proceeds come from narcotics trafficking. Because of its location in the Atlantic Ocean along major trade routes, Cabo Verde is an important transit point for narcotics headed to Europe from South America. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels, including yachts. Consumption of illegal drugs is increasing in Cabo Verde; however, there is no significant market for illicit or smuggled goods in Cabo Verde.

Because some proceeds are derived from drug trafficking, the formal financial sector may indirectly support money laundering, but there is no evidence that it finances terrorism. Public corruption is limited and does not appear to contribute to money laundering in Cabo Verde.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Cabo Verde is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Cabo%20Verde.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cabo Verde's national AML/CFT strategy will expire at the end of 2014, but the government is formulating a new strategy. The government does not have the human, technical, and logistical resources to respond in an effective and timely manner to AML/CFT challenges. Limited resources hamper the government's ability to enforce AML regulations, and local institutions are often unaware of their reporting responsibilities. The Cabo Verdean central bank publishes procedures with which financial institutions must comply regarding customer identification and due diligence, analysis of customer transactions, suspicious transaction reporting, and record-keeping. Although not required by law, financial institutions exercise enhanced due diligence procedures for both domestic and foreign politically exposed persons (PEPs). For statistical purposes, currency transaction reports (CTRs) and suspicious transaction reports (STRs) are not differentiated; a total of 38 reports were received between January 1 and November 30, 2014.

Public officials and international experts consider the Cabo Verdean Financial Information Unit (UIF) deficient regarding its regulatory framework, although the government has made corrective improvements. The UIF still lacks adequate human and financial resources to carry out all its functions effectively, particularly the proper identification, analysis, and dissemination of suspicious transactions. The UIF disseminated 12 cases to the Office of the Prosecutor in 2014.

In 2013, the Cabo Verdean parliament ratified a law to prevent and repress terrorism in Cabo Verde. The legislation allows for the freezing of bank accounts and financial transactions that support terrorist financing. The government has begun to implement the law, but should take additional steps, including those necessary to implement its obligations under UNSCRs 1267 and 1373.

The government should provide adequate resources and training to the UIF to enable it to adequately perform its functions. Cabo Verde also should fully implement its counterterrorism law.

Cambodia

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; non-governmental organizations (NGOs) and foundations

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 186: January - October 2014
Number of CTRs received and time frame: 1,432,489: January - October 2014

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January - October 2014

Convictions: 0: January - October 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

Cameroon

Cameroon's growing financial sector is the largest in the Economic and Monetary Community of Central African States (CEMAC) and, in 2014, hosts 13 banks, 25 insurance companies, over 460 microfinancial institutions, and a nascent stock exchange. Yet despite hosting 70% of financial institutions in CEMAC, Cameroon is still relatively disconnected from the international financial system. According to the Bank of Central African States (BEAC), less than 10% of the population has access to bank services. Cameroon's economy is heavily cash dependent, and the majority of financial transactions take place in the informal sector, notably in indigenous savings schemes locally known as "Njangui."

Corruption in Cameroon is an endemic problem in commerce and government; it facilitates money laundering and other financial crimes and retards broad-based development. Various government programs to address corruption have proven ineffectual. Most significant financial crimes in Cameroon derive from domestic public corruption, tax evasion, and embezzlement. The Cameroonian media regularly reports cases of embezzlers of public funds who reinvest funds in real estate projects in an attempt to launder the ill-gotten funds. In recent years, authorities have begun to suspect offshore transfers by government officials in some corruption cases. High profile corruption cases have also revealed the use of offshore transfers. Cameroonian authorities assert that Cameroon is not a major narcotics transit hub or destination.

Risks to the integrity of the Cameroonian financial system include terrorism activity in neighboring countries (most notably Nigeria, where Boko Haram is based), illicit wildlife trafficking, and maritime piracy. Instability in neighboring countries and the use of a common currency have resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Trade-based money laundering is rampant and utilizes the banking system and

microfinance institutions. Cameroon is particularly vulnerable to abuse by bulk cash smugglers and exploitation by companies transferring money internationally. Most foreign currency transactions are in euros or dollars.

Cameroon shares a regional Central Bank, BEAC, with other CEMAC member countries. The use of a common currency, the Central African Franc, among the six CEMAC members has resulted in Cameroon being used as a conduit to move funds from those countries to tax havens and other personal investments primarily in Europe and Asia.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Government treasurers and tax inspectors, chief executive officers and managing directors of state-owned companies, and the treasuries of CEMAC member states; BEAC; banks and microfinance institutions; insurance brokers and firms; manual money changers; managers, directors, and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high-value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 380 in 2014

Number of CTRs received and time frame: Not available

STR covered entities: Government treasurers and tax inspectors, chief executive officers and managing directors of state-owned companies, and the treasuries of CEMAC member states; BEAC; banks and microfinance institutions; insurance brokers and firms; manual money changers; managers, directors, and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high-value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Cameroon is a member of the Action Group against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body (FSRB). Although GABAC conducted a mutual evaluation of Cameroon, it is not currently available.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cameroon, including the National Agency for Financial Investigation (ANIF), Cameroon's financial intelligence unit, should continue to work with regional partners to implement an effective AML/CFT regime in line with international standards. ANIF has conducted several training sessions during the past two years, as well as annual working sessions and meetings with banks and microfinance institutions. Cameroon's Ministry of Justice is developing a program called "e-government" to computerize data on prosecutions and convictions, including those for financial crimes.

Cameroon's Special Criminal Tribunal addresses cases related to the embezzlement of state funds and corruption in cases involving more than \$100,000. Press reports indicate the government has recovered a meagre \$1.2 billion between 2006 and 2013. However, the director of ANIF has indicated the relationship and communication flow with the Special Criminal Tribunal has improved, leading to more suspected cases being taken up by the court.

ANIF should work to improve coordination with law enforcement and judicial authorities, with the objectives of enhancing financial investigations, obtaining convictions, and generating and compiling relevant statistics. Cameroon's Ministry of Justice should cooperate closely with ANIF and ensure that referrals by the FIU to law enforcement are fully investigated. The Ministry of Justice should work with international partners to assess and address the training needs of prosecutors and magistrates. The government also should continue to work to implement cross-border currency reporting requirements, improve oversight of domestic money transfer entities, train its agents at points of entry to detect and investigate bulk cash smuggling, and train its reporting entities in the public and private sectors to identify suspicious transactions. The Government of Cameroon should take specific steps to improve governance and enforce the rule of law.

Canada

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 81,735: April 1, 2013 - March 31, 2014
Number of CTRs received and time frame: 8,313,098: April 1, 2013 - March 31, 2014
STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but should further enhance its enforcement and conviction capability. In addition to STRs and CTRs, Canada's financial intelligence unit, the Financial Transaction Reports Analysis Center of Canada (FINTRAC) receives reports on casino disbursements, international wire transfers, and cross-border currency movements. FINTRAC made 1,143 disclosures to law enforcement and other government agencies from April 1, 2013 to March 31, 2014. Of these, 845 disclosures were money laundering related, 234 were terrorism financing or security threat related, and 64 were both money laundering and terrorism financing or security related. Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering (ML), terrorist financing (TF), and threats to the security of Canada investigations. When FINTRAC has determined reasonable grounds exist to suspect information would be relevant to an investigation or prosecution of an ML/TF offense, they are required to disclose financial intelligence to the appropriate authorities.

In June 2014, Canada became one of the first countries to implement comprehensive legislation regulating virtual currencies, such as bitcoin. The new regulations include provisions that subject digital currencies to the same reporting requirements as MSBs, including the requirement that all digital currency exchanges register with FINTRAC. Digital currency exchanges also will be subject to verification, registration, and record-keeping requirements, including the obligations to report suspicious transactions, implement compliance programs, and determine if any of their customers are politically exposed persons (PEPs). The new legislation also covers foreign companies that have a place of business in Canada and those directing services at Canadians. Financial institutions will be prohibited from establishing and maintaining bank

accounts for customers involved with virtual currency businesses that are not registered under FINTRAC.

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

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

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

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

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

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

Cayman Islands

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 406: July 1, 2011 – June 30, 2012

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

Central African Republic

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based, and enforcement of existing AML laws is weak given the current level of violence in the country, which led to the removal of the former president in March 2013. The CAR is a member of the Economic and Monetary Community of Central Africa (CEMAC) and shares a regional bank (BEAC) with other members. The lack of a cohesive national security force and porous borders allow cross-border activities to go undetected. Smuggling of contraband, including diamonds and arms, occurs across the unsecured border areas with Chad and Sudan. Undocumented trade across the river with Democratic Republic of Congo, which consists primarily of timber, domestic, and agricultural goods, also occurs. The CAR is also a source and transit country for the trafficking of persons. There is little information on the extent of the drug trade in the CAR or any financial transactions which occur as a result. Corruption is endemic throughout all levels of commerce and government.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Public treasuries, banks, investment companies, insurance companies, microfinance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, microfinance organizations, merchants, public treasuries, and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The CAR is a member of the Central African Action Group against Money Laundering (GABAC), an entity in the process of becoming a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Oversight and enforcement of AML laws and regulations are lax in most areas of governance in the Central African Republic. The government lacks the capacity and political will to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies. The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. There is little expertise to investigate financial crimes. The Gendarmerie does have a financial crimes investigation unit, but it is unclear how many cases it processes in a given year.

Insufficient data and transparency make it difficult to assess the effectiveness of the CAR's AML efforts. Given the extremely limited scope of the financial sector, government authorities have expressed confidence in their ability to spot anomalies or significant suspicious banking transactions. However, the economy is cash based. The Government of the Central African Republic should examine money laundering as it relates to fraud, smuggling, trade, and corruption.

Chad

Chad's financial services sector is small and relatively underdeveloped. Chad's economy is predominately cash-based, with relatively few transactions passing through formal financial institutions. Only five percent of the Chadian population uses formal banking services.

Despite the Government of Chad's efforts to secure its frontiers, the country's long, porous borders leave it vulnerable to the smuggling of goods and people across the Sahel. The market

for contraband and smuggled goods varies by region. Along Chad's southern and western borders, including Lake Chad, the contraband goods market consists largely of foodstuffs, cigarettes, oil, gold, and other household items smuggled into the country to avoid import duties. Instability in the Central African Republic (CAR) and the subsequent return of displaced Chadians and CAR refugees resulted in disruption along southern borders, which facilitated trafficking of goods between the two countries. Across Chad's northern desert and along the Sudan/Chad border in the east, smuggled items include drugs and weapons. Drugs, mainly cannabis and cocaine, are transported via Chad and Sudan to the Arabian Peninsula.

In 2014, the increase in Boko Haram activities contributed to a lack of effective control over western borders and disrupted existing drug trafficking networks; the effect on trafficking routes through Chad is not clear. The closing of the border with Nigeria due to the ebola epidemic reduced the traffic of illegal goods from Nigeria. Chad does not have a significant domestic market for illegal drugs, although there is evidence of demand among Chadian youth for tramol or tramadol, a synthetic opiate. Counterfeit pharmaceuticals enter Chad from Nigeria and are sold by merchants in small quantities in local markets, despite a ban by the government. In April 2014, Chad's President declared that drug trafficking and religious extremism are causing slow socioeconomic growth and development in Africa and must be addressed in a concerted manner.

Wildlife poaching in Chad and the related illicit trade in ivory and other wildlife products finance transnational criminal networks and armed rebel groups across Africa. By contrast, there is no indication that illegally smuggled household goods are related to narcotics trafficking or other illegal activities. However, the trafficking of weapons, wildlife products, and drugs may be linked to organized criminal groups, some of which have links to terrorist groups. Illicit proceeds do not appear to enter Chad's formal financial system.

Chad's banking system is supervised by the Bank of Central African States (BEAC), the central bank that serves six Central African countries. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the six member states of the Central African Economic and Monetary Community (CEMAC). Within CEMAC, the Banking Commission of Central Africa addresses money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5: January 1 - October 31, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Chad is a member of the Action Group against Money Laundering in Central Africa (GABAC), which is in the process of becoming a FATF-style regional body. Chad has not been subject to a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Chad's banking sector is underdeveloped. The economy remains cash-based. Limited measures exist to detect the physical cross-border transportation of currency. A mission by the members of the Ministry of Finance and Budget's Fraud Surveillance Office traveled to Chad's western border with Sudan and reported that livestock trafficking to Sudan is replacing physical transportation of currency across the border to finance smuggled goods. The Fraud Surveillance Office instituted control mechanisms to track livestock crossing the border to levy export duties.

In 2014, the Government of Chad recruited 500 new rangers for the Chadian Anti-Poaching Brigade. Over one hundred of these rangers received extra training at Zakouma National Park. This training, in conjunction with Chad's national wildlife protection efforts, has been instrumental in reducing wildlife poaching.

In 2014, Chad's financial intelligence unit (FIU), the National Financial Investigative Agency (ANIF), joined the Egmont Group of FIUs. ANIF faces serious resource constraints. Financial intelligence reporting and analysis is limited. There are regulations requiring banks to file suspicious transaction reports (STRs) but the practice is not universal. ANIF works in collaboration with Interpol and the Chadian National Police's drug enforcement agency. Additionally, law enforcement and customs officials require training in financial crimes investigation.

Chad is in the process of becoming a party to the UN Convention against Corruption.

Chile

Chile has a large and well developed banking and financial sector with an established AML/CFT regime. Chile's economic stability and growth make it an attractive location for the financial operations of criminal groups. Systematic vulnerabilities include deficiencies in detection and prevention of money laundering, to include a lack of sufficient resources for investigators and prosecutors, stringent bank secrecy laws, and regulatory institutions in which oversight gaps remain. Increased trade and currency flows, combined with an expanding economy, could attract illicit financial activity and money laundering.

Given Chile's extensive trading partnerships and long borders, its largely unregulated free trade zones (FTZs) are additional vulnerabilities. Chile has three FTZs, the Free Zone of Iquique (ZOFRI) in the northern tip of Chile, the Free Zone of Punta Arenas in the southern tip, and the free port of Arica. ZOFRI is a major entry point for products bound for Bolivia and has industrial, retail, and commercial areas. Punta Arenas also has a free port. Imports entering and remaining in Chile's FTZs pay no duty or value added tax and entities established in the zones pay no corporate tax.

While the size of the market for illicit or smuggled goods is unknown, there have been seizures of counterfeit goods by Chilean Customs officials. There are limited incidences of public corruption.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks and credit unions; pension funds; mutual fund administrators; securities brokers and dealers; leasing and factoring companies; credit card issuers and operators; insurance brokers and companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,393: January 1 - September 30, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks; savings and loan associations; financial leasing companies; general, mutual, and investment fund managers; pension fund administration companies; the Foreign Investment Committee; money exchange firms and other entities authorized to receive foreign currencies; factoring operations; credit card issuers and operators; securities brokers and agents; money transfer and transportation companies; stock exchanges; insurance companies; forwards and options market operators; tax-free zones' legal representatives; casinos, gaming houses, and horse tracks; customs general agents; auction houses; realtors and land developers; notaries and registrars; and sports clubs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39: January 1 - October 30, 2014

Convictions: 7: January 1 - October 30, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Chile is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://gafilat.org.iplan-unix-03.toservers.com/content/biblioteca/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Chile's AML/CFT efforts continue to mature. Particularly noteworthy is the pending passage of Ley boletín 4426-07, Chile's proposed law focused on expanding the AML/CFT regime. At the end of 2014, the bill is in its final stages of approval in Congress and expected to come into force during 2015. The new law aims to expand the scope and depth of detection, investigation, and prosecution of money laundering crimes. This proposed law will enable the government to address many of the noted shortcomings. The Chilean system has many organizations in place to address money laundering and terrorist financing; however, there are issues of communication as well as resource scarcity. The proposed law focuses on giving greater power and resources to these agencies.

Chilean organizations are limited in their ability to respond to cases of money laundering as the legal system narrowly defines what constitutes money laundering and focuses primarily on drug trafficking, as do prosecutions. Contraband, intellectual property rights violations, and income tax evasion are not considered criminal offenses. Therefore, these illegal activities cannot be used as predicate offenses in money laundering investigations. These omissions can impose limitations in the prosecution of financial crimes. The proposed new law would address many of these gaps.

Bank secrecy continues to be the most significant obstacle to money laundering investigations in Chile. Article 154 of the General Banking Law places all types of bank deposits and obligations under bank secrecy constraints, and only allows banking institutions to share information about such transactions with the depositor or creditor, or an authorized legal representative. Law 707 prohibits banks from sharing information about the movement and balances in a current account

with a third party. Due to these legal restrictions, banks do not share information with prosecutors without a judicial order. Some banks and their compliance officers aggressively apply rigorous, international AML/CFT standards, but they are restricted to simply reporting suspicious activity. Suspicious transaction reporting (STR) applies only to checking, not savings, accounts. Other banks are slow to reply to court orders to provide prosecutors with additional information. Judges can detain the bank's general manager until all information is disclosed, but this tool is rarely used. In instances when a judge has issued an order for the general manager's detention, bank information was provided immediately. Tax authorities are allowed access to bank information without a judicial order under certain circumstances. Proposed legislation to ease secrecy constraints has been pending before the Senate for several years.

Chile should focus on ensuring passage of its proposed bill to allow for a more successful AML/CFT system. Additionally, Chile should enact legislation to allow for the lifting of bank secrecy and expand STR reporting to cover all types of attempted and completed financial transactions. In addition to changes in the legal framework, Chile should establish regulatory control over non-bank institutions, such as dealers of precious metals and stone and charities, as well as its free trade zones. Chile should take steps to increase interagency coordination. Chile also should focus on ensuring a more fluid exchange of relevant information among its agencies. Given Chile's extensive trading partnerships and free trade zones, authorities should examine trade-based value transfer systems as money laundering methodologies.

China, People's Republic of

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

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via methods that include bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets, such as real estate and gold; the investment of illicit funds in lawful sectors; gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fundraising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities also have observed that money

laundering crimes continue to spread from the developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11,645 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

restrictions for illicit outbound transfers and capital flight, and to receive inbound remittances and criminal proceeds for Chinese organized crime.

Colombia

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

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. Under the 2014 reorganization of the Colombian Attorney General’s Office (Fiscalia), the

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

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

Colombian law limits the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information and Financial Analysis (UIAF), to the Attorney General's office only. New UIAF leadership has worked to improve interagency cooperation and successfully proposed a legislative change to designate the unit as an intelligence agency, allowing it to share information with other intelligence agencies. Colombia took steps to foster better interagency cooperation -- including improved case coordination among the UIAF, prosecutors, and the CNP's specialized judicial police units. Despite these improvements, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the Attorney General's office. This increases case processing time and adds unnecessarily to prosecutor caseloads. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in their investigations from the very start to ensure greater prosecutor participation and that the information gathered will be of use to the prosecutors during their own investigation and prosecution of a case.

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

million of assets associated with drug trafficking and money laundering activities, more than double the value of seized assets in 2012.

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

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

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

Comoros

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan, and Moheli, and claims a fourth (Mayotte), which France governs. Although Comoros lacks homegrown narcotics, the islands are reportedly used for transshipment, mainly from Madagascar and continental Africa. Comoros is not a financial center for the region. The Comoran financial system is underdeveloped, and thus the risk of money laundering activities is relatively low. Neither Union nor island government authorities have the means to estimate the volume of illegal proceeds generated by predicate offenses committed in the country. Nevertheless, due to the low level of development in Comoros, such proceeds appear to be limited and primarily involve migrant smuggling and corruption.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, real estate agents, lawyers, notaries, accountants, casinos, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, insurance companies, real estate agents, lawyers, notaries, accountants, company and trust service providers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

Comoros is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Comoros remains a significantly underdeveloped country with little financial intermediation or sophistication. Comoros has introduced a number of measures to establish an AML/CFT regime.

Comoran efforts to enforce its AML/CFT laws and regulations are hampered by insufficient resources and training, lack of capacity in government ministries, corruption, and a weak judiciary. Comoran government security forces have limited resources and lack AML/CFT training. There have been no investigations or convictions for money laundering or terrorism financing. While the law on economic citizenship technically permits the granting of citizenship to those who have been convicted of money laundering and/or drug trafficking, among other crimes, Comoran authorities state they have implemented strict control measures intended to prevent such abuses.

The Government of the Union of the Comoros should work with its regional partners and enhance its AML/CFT regime, with an emphasis on regulatory oversight and enforcement.

Congo, Democratic Republic of the

The Democratic Republic of the Congo (DRC) is not considered an important regional financial center. Nevertheless, its porous borders, weak law enforcement, inadequate judicial system, dollarized economy, and dominant informal sector put the country and its financial system at risk of abuse by criminals seeking to launder money or finance terrorism. The DRC covers 2.4 million square kilometers and has 7,000 kilometers of often porous borders with nine countries. State authority and administration are weak because of the country's vast territory and dilapidated infrastructure, among other challenges. Most economic activity in the DRC takes place in the informal sector, estimated to be up to ten times the size of the formal sector, with many transactions, even those of legitimate businesses, carried out in cash (often in U.S. dollars). Its parallel foreign exchange market is large and tolerated by the government.

Inefficient and burdensome customs and tax policies and chronically low public sector salaries encourage a climate of bribery and clandestine transactions, especially in import/export activities and mineral exploitation and sales. Gold, diamonds, and other minerals have long been extensively mined in and sometimes smuggled out of the DRC. Casinos and smuggling of gold, diamonds, and weapons are sources of illicit revenues. Customs and tax fraud, tax evasion, misappropriation of public funds, endemic corruption throughout all sectors of society, sale of prohibited products and services, and a history of state expropriations undercut development of a healthy commercial climate. The DRC does not have any free ports or areas designated as free trade zones.

Certain Congolese and foreign individuals and armed groups contributing to the conflict in the DRC are subject to UN, U.S., and EU sanctions, including an arms embargo that applies to all non-governmental entities and individuals operating in the DRC. There are travel bans and asset freeze orders against certain members of militia and rebel groups.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, and sellers of works of art, antiques, and precious stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2014

Number of CTRs received and time frame: Not available

STR covered entities: Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, and sellers of works of art, antiques, and precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The DRC is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

DRC's 2014 readmission to the Extractive Industries Transparency Initiative (EITI), and assistance from the international community in setting up extractives tracing schemes have gone some way toward regulating the metal and diamond sectors. Its 2014 decision to join the Organization for Harmonization of Business Laws in Africa (OHADA) may give investors new protections and recourses in cases where the local judicial sector cannot guarantee rule of law.

The National Financial Intelligence Unit (CENAREF), the DRC's financial intelligence unit, is responsible for analyzing, investigating, and disseminating information regarding suspected cases of money laundering or terrorism financing. CENAREF also conducts periodic studies and advises the Government of the DRC on how to advance its AML/CFT regime. As of the end of 2014, CENAREF was investigating 212 cases. It reports that cases have not been brought to the prosecution/conviction stage in 2014 because the CENAREF leadership changed in mid-2014, resulting in the need to review evidence anew. There is a strong perception that CENAREF is not empowered to investigate businesses and transactions if such investigations might adversely impact the economic interests of high-level Congolese officials and ruling elites. The organization collaborates very closely with Belgian and French counterpart financial

investigation units. CENAREF has also long expressed interest in increasing bilateral cooperation with the United States.

Limited resources hamper the DRC's ability to enforce AML laws and regulations, and local institutions and personnel lack training and capacity. A weak judicial system also impedes enforcement of AML regulations.

The DRC should become party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime. The DRC also should consider becoming a member of a FSRB.

Congo, Republic of the

The Republic of the Congo (Congo-Brazzaville) is not a major regional financial center, nor is it a major narcotics destination or source. The port city of Pointe-Noire is frequently utilized as a transshipment point for narcotics moving north to Europe or into Angola and the Democratic Republic of the Congo. Congo-Brazzaville, as part of the Euro-CFA Zone Agreements, deposits reserves with the Bank of Central African States (BEAC), a regional central bank that serves six Central African countries. BEAC conducts the Economic Intervention Service, which harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC). The BEAC also supervises the country's banking system, though evidence suggests the BEAC's supervision is insufficient. Most financial crimes involve domestic corruption and embezzlement. The economy is cash dependent, relying very little on electronic transfers and checks. When they travel, business executives and government officials alike carry large amounts of cash, which are frequently used to settle transactions. Money laundering through investments in domestic real estate is a growing problem, given increased scrutiny of funds sent overseas.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, money exchangers, accountants, notaries, thrifts, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers, accountants, notaries, money remitters, jewelry shops, car dealers, casinos, and law firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The Republic of the Congo is a member of the Task Force against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body. Congo-Brazzaville has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite widespread efforts at improvement in recent years, transparency and corruption remain significant problems in the Republic of the Congo. Inadequate law enforcement efforts as well as a capacity-challenged judicial system mean that few financial crimes are identified, and even fewer are successfully prosecuted. Review, record-keeping, and transparency are weak and have not kept up with the rapidly expanding public and private financial activities in the country. The government has many of the legal and institutional frameworks in place that are necessary to combat financial crime, and high level government officials are publicly committed to greater fiscal transparency. However, the relevant laws and regulations often are not implemented, and the institutions involved are staffed with poorly-trained or corrupt officials. Embezzlement and other illicit financial activities likely will become more complex and clandestine, particularly as certain actors perceive a need to grab all they can in the short term, given the uncertainty in the political landscape as the 2016 presidential election approaches, the fall in oil prices, and a projected decline in oil production over the next 15 to 20 years.

While Congo-Brazzaville had been lagging behind international standards' requirements in recent years, the government recently revitalized its moribund National Agency for Financial Investigation, appointing a new director in late 2013 and completely re-staffing the agency. The agency started to more fully engage with regional partners in 2014.

The Government of the Republic of the Congo should move to strengthen and enforce its AML/CFT regime on all fronts; it should make concerted efforts to crack down on corruption in both the public and private sectors; and should become a party to the UN Convention against Transnational Organized Crime.

Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The Cook Islands' substantial offshore financial sector is an important part of the country's economy, but also represents its most significant vulnerability to money laundering and terrorist financing activities.

The large offshore financial sector allows the operation of international companies and trusts, including offshore banks and insurance companies. All offshore business conducted from the Cook Islands must be channeled through registered trustee companies. There are six registered trustee companies and four international banks. One of the domestic banks also has an international license. The industry provides a wide range of trustee and corporate services to offshore investors with a tax rate for all offshore entities of zero, guaranteeing tax neutrality. The Cook Islands is a global pioneer in offshore asset-protection trusts, with laws devised to protect foreigners' assets from legal claims in their home countries. According to the Cooks' Financial Supervisory Commission (FSC), as of the end of 2014, there were 2,602 international trusts, 1,079 international companies, and 394 limited liability companies.

The Government of the Cook Islands is committed to diversify the Cook Islands' economy by strengthening and promoting its financial services sector, but has also taken steps to reduce the risks presented by both the offshore sector and its small domestic financial sector.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks (domestic and offshore), offshore insurers and trustee companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks (domestic and offshore), offshore insurers and trustee companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Cook Islands has a generally well-supervised financial industry. The government performs annual on-site examinations of all domestic and offshore financial institutions. Large cash transactions involving locally generated funds are immediately apparent, and suspicious transactions are reported to the Cook Islands Financial Intelligence Unit for further review. Government officials note that remaining money laundering and terrorist financing risks stem from the lower KYC standards and the provision of false information to Cook Islands financial institutions by businesses and customers in other jurisdictions, particularly in Asia.

In November 2014 the Parliament of the Cook Islands passed the Trustee Companies Act, which provides expanded monitoring and oversight powers to the FSC. Specifically, the Act brings the regulatory regime for the trustee companies sector in line with that already in existence for banks and other financial institutions. Among other measures, the Act ensures supervision of trustee companies and compliance with AML/CFT requirements; authorizes inspections of financial institutions; allows the FSC to request the production of relevant information; imposes sanctions and/or disciplinary actions for failure to comply with AML/CFT requirements; gives the FSC the authority to take over a trustee company via the courts if a company is found to break the law or becomes financially distressed; and provides powers for the FSC to investigate unlicensed trustee companies.

Costa Rica

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

Proceeds from international cocaine trafficking represent a significant source of assets laundered in Costa Rica. Sizeable Costa Rica-based online gaming operations also launder millions of dollars in illicit proceeds through the country and offshore centers annually. Criminals launder other proceeds through Costa Rica from activities that include financial fraud, human trafficking, corruption, and contraband smuggling.

Criminal organizations use financial institutions, licensed and unlicensed money transfer businesses, bulk cash smuggling, and the free trade zones to launder the proceeds of their illicit activities. Money services businesses are at significant risk for money laundering and a potential

mechanism for terrorist financing. Trade-based money laundering, while used, is not detected with the same frequency as the above typologies. While there is no recent investigation related to terrorism financing, recent investigations in Costa Rica detected narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC).

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

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

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

Cote d'Ivoire

Over the last few years, the political situation in the Cote d'Ivoire has stabilized. Ivoirians continue to be involved in regional criminal activities, such as the smuggling of consumer goods and agricultural products, and in the subsequent laundering of the proceeds. Smuggling over Cote d'Ivoire's porous borders, motivated in part by a desire to avoid duties or taxes or to sell goods at a higher profit, generates illicit funds that are primarily laundered via informal value

transfer systems, such as money service businesses or exchange houses, and via mobile telephone payments or transfers (M-Payments).

There are growing concerns about the increase in cyber theft through online commercial transactions. In addition, Ivoirian authorities believe criminal enterprises use the formal banking system, as well as the used car and real estate industries, to launder funds. Hezbollah is present in Cote d'Ivoire and conducts fundraising activities, mostly among the large Lebanese expatriate community in the country. The use of Ivoirian territory as a transshipment point for drugs from South America to Europe, as recent arrests at Abidjan airport have shown, concerns law enforcement officials.

Cote d'Ivoire still remains under some sanctions imposed by the UN Security Council stemming from the civil war and political/military crisis period. On April 29, 2014, the United Nations Security Council lifted the ban on importing rough diamonds from Côte d'Ivoire and partially lifted the arms embargo, differentiating between lethal and non-lethal arms. Additionally, several officials of the former regime are subject to targeted financial sanctions by the United States, the United Kingdom, and the European Union. The government is working toward the goal of having the international sanctions lifted for some of these officials. The country was found Kimberley Process compliant in November 2013, but the government has not yet harmonized its laws to allow legal exportation of diamonds under the Kimberley Process.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, post offices, deposit and consignment offices, microfinance institutions, chartered manual exchangers, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, and fixed capital investment companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 105 in 2014
Number of CTRs received and time frame: Not available

STR covered entities: Banks, exchange houses, stock brokerage firms, post offices, deposit and consignment offices, microfinance institutions, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, fixed capital investment companies, the public treasury, the Central Bank of West African States, business contributors to financial institutions, auditors, dealers in high-value items, cash couriers, casinos, the national lottery, non-governmental organizations, travel agencies, attorneys, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Cote d'Ivoire is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://web.giaba.org/reports/mutual-evaluation/Cote%20d'Ivoire.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The current Government of Cote d'Ivoire has demonstrated its commitment to continue building and implementing an AML/CFT regime. Efforts to fight money laundering and terrorism financing include implementation of national legal provisions; AML/CFT-related capacity building of covered entities, judges, and lawyers; and the reinforcement of regional and international AML/CFT cooperation. In 2014, the government endorsed several laws and regulations on AML/CFT. These include a law regulating external financial relations in West African Economic and Monetary Union (WAEMU) member states; a decree on the responsibility, organization, and functioning of the High Authority for Good Governance; a decree on the terms of private asset declaration; a decree on the responsibility, organization, and functioning of the entity in charge of recovering and managing illicit assets; and a decree on the creation of the AML/CFT coordination committee of national policy and the proliferation of weapons of mass destruction.

The Government of Cote d'Ivoire has established an inter-ministerial committee to ensure AML/CFT cooperation and coordination at the national level, and has adopted the WAEMU uniform community law criminalizing money laundering. The implementation of the WAEMU community laws remains incomplete, however. The Appendix to Cote d'Ivoire's AML law relating to specific obligations of financial institutions regarding customers' financial operations has yet to be formally adopted. Insider trading and the manipulation of financial markets are not covered as predicate offenses to money laundering under Cote d'Ivoire's AML law; however, the regional council of public savings and financial markets of the WAEMU initiated a draft law on the repression of stock exchange-related infractions. The country does not yet have the legal or

institutional structures necessary to implement its obligations under UNSCRs 1267 and 1373. However, when the Ministry of Foreign Affairs receives the UN lists related to resolutions 1267 and 1373, the Finance Ministry orders financial institutions to freeze the assets of listed persons and entities.

Cote d'Ivoire's banking sector caters largely to commercial enterprises rather than small account holders. Many Ivoirians use informal cash couriers, money and value transfer services, hawaladars, and, increasingly, goods transportation companies to transfer funds domestically and within the region. There is no regulation of domestic informal value transfer systems.

The economic police are responsible for investigating financial and white collar crimes but have limited capacity as a result of inadequate resources and training. The government has reestablished civilian authority throughout the country, but judicial and security capabilities remain weak and allegations of corruption persist. Prosecutions increased in 2014.

No cases of terrorism financing were reported for the past year. On June 18, 2013, a draft bill on the repression of terrorist activities was submitted to the National Security Council chaired by the president for review and submission to the government, but as of late 2014, it had not yet been approved. A new customs code under development by the Ministry of Finance is projected to include provisions related to money laundering and terrorism financing.

The Government of Cote d'Ivoire should continue to strengthen its rule of law institutions, including its AML/CFT legal framework, and its law enforcement and judicial capacities. Specifically, the government should amend the AML law to cover all predicate offenses to money laundering included in the international standards, criminalize terrorist financing in line with international standards, finalize the necessary decree to implement Cote d'Ivoire's obligations under UNSCRs 1267 and 1373, and provide additional guidance and training to reporting entities and judges, such that financial crimes may be more easily and consistently detected, prosecuted, and punished.

Croatia

Croatia is not an offshore financial center. Although an EU member country, Croatia has not joined the Eurozone and its currency is the Croatian Kuna. Croatian authorities consider most money laundering in the country to be of domestic origin, involving the proceeds of illegal domestic narcotics sales and economic crimes, including corruption, fraud, and tax evasion. Although Croatia is part of a transit route for drugs entering Europe, there is little evidence these networks have utilized Croatia's financial system. Public corruption has been linked to money laundering, and several investigations are active.

Money laundering in Croatia occurs primarily through non-resident accounts, transfers to offshore banks using counterfeit documents, and deposits in foreign currency accounts; it also has been linked to the real estate market and the purchase of luxury automobiles. Authorities have increased their efforts in the investigation of financial crimes. This trend reflects a greater push in the enforcement of existing legislation rather than an actual rise in such crimes.

There is not a significant black market in Croatia. Croatia does not represent a sizeable market for smuggled goods, but is believed to be a transit route for goods destined for other countries in the region. Management of Croatia's ports has improved through the EU accession process, and further upgrades are anticipated as Croatia prepares to join the Schengen region. The Export Border Security Office continues to tighten controls and screening to prevent smuggling.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment funds and asset management companies; pension companies; financial service companies; insurance companies and brokers; authorized exchange offices; casinos and betting parlors; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic, or antique items; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 593: January – October, 2014
Number of CTRs received and time frame: 43,655: January – October, 2014
STR covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; financial service companies; insurance companies and brokers; authorized exchange offices; casinos and betting parlors; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, art, or antiques; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January – December, 2013
Convictions: 5: January – December, 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Croatia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Croatia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In addition to the Law on Prevention of Money Laundering and Terrorist Financing, there are nine additional relevant regulations in force. Aside from reporting cash transactions, covered entities are required to report all transactions involving gold, precious metals, and rare stones, as well as other types of monetary instruments and financial transactions.

The Ministry of Finance requires financial institutions to use specialized software to facilitate compliance with reporting requirements. The Anti-Money Laundering Department, Croatia's financial intelligence unit (FIU), oversees all non-bank financial institutions and designated non-financial businesses. Most suspicious transaction reports (STRs) in Croatia are filed by banks.

Croatia's FIU is party to a number of bilateral agreements on law enforcement cooperation with its neighbors. Croatia cooperates with neighboring countries on law enforcement issues and helped establish a regional working group to address money laundering. Croatia has not yet implemented the 2003 U.S.-E.U. Mutual Legal Assistance Treaty.

The Government of Croatia has mechanisms in place and tools at its disposal to effectively combat money laundering and financial crimes. Although there is a lack of subject matter expertise in financial crime matters among the police and judiciary, the Law on Criminal Procedure affords both the police and judiciary access to financial experts for the purpose of pursuing such cases. In 2014, there were several investigations, arrests, and indictments of current and former high-ranking officials for financial crimes.

Cuba

Cuba is not considered a regional financial center. Cuban financial practices and U.S. sanctions prevent Cuba's banking system from being fully integrated into the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, lack of government and legal transparency, and threat of seizures related to U.S. sanctions all render Cuba an unattractive location for money laundering through financial institutions. The high degree of state ownership limits private economic activity, which is highly regulated. There is a significant black market in Cuba that operates parallel to the heavily subsidized and rationed formal market dominated by the state.

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 zone at the port of Mariel in northwestern Cuba was established in November 2013.

Remittances from the United States, likely in excess of \$2 billion, reach Cuba via physical transport by relatives, friends, or even informal couriers, as well as through formal channels, such as bank transfers and money service businesses. These funds are usually traded for Cuban pesos at government foreign exchange houses or in the small informal exchange market.

The U.S. government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The regulations impose restrictions on travel and investment in Cuba and prohibit the commercial importation of most products of Cuban origin (unless documented as produced by Cuban entrepreneurs, or considered to be information/informational materials) and, with the exception of agricultural products, medicine, humanitarian assistance, direct support to the Cuban people, and telecommunications services/equipment, largely prohibit exports from the United States to Cuba. Additionally, a number of U.S.-based assets of the Cuban government or Cuban nationals are frozen.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, money exchangers and remitters, financial management firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers and remitters, financial management firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

Cuba is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. It has not yet been subject to a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cuba does not identify money laundering as a major problem. In late 2013 and early 2014, Cuba has made efforts to accommodate international trends and requirements through new legislation that expands the Government of Cuba's reach and increases penalties for terrorism, terrorism involving the use of nuclear materials, financing of terrorism, and money/asset laundering. The Government of Cuba claims to be in full compliance with international counterterrorism conventions and to take into account international standards. There are no known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations. Cuba has bilateral agreements with a number of countries related to combating drug trafficking. It is unclear whether any of these agreements include mechanisms to share information related to financial crimes or money laundering.

The government continues a high profile campaign against corruption, investigating and prosecuting Cuban officials and foreign businesspeople. Cuba released no reports of prosecutions for money laundering in 2014; the last reported case occurred in 2011.

The deficiencies in Cuba's AML/CFT program stem from Cuba's opaque national banking system, which hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT efforts. Since making a high-level political commitment in 2013, Cuba has taken significant steps toward improving its AML/CFT regime, including by enacting new legislation.

In order to expand its capacity to fight illegal activities Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities. Cuba should continue with robust implementation of its new legislation and continue to implement its AML/CFT regime. Cuba should fully implement comprehensive customer due diligence measures and STR requirements, require enhanced due diligence for domestic PEPs, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba also should increase the transparency of criminal investigations and prosecutions, and make its trials public.

Curacao

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. A governor appointed by the King represents the Kingdom on the island, and a Minister Plenipotentiary represents Curacao in the Kingdom Council of Ministers in the Netherlands. Curacao is considered a regional financial center and a transshipment point for drugs from South America bound for the United States, the Caribbean, and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations take advantage of the availability of U.S. dollars, banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive

shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder drug proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport between Curacao, the Netherlands, and other Dutch Caribbean islands. Bulk cash smuggling is a continuing problem due to Curacao's close proximity to South America.

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

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

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

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

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

Cyprus

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

Cyprus is a regional financial center, and until the financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. A number of factors contributed to Cyprus’ rise as a regional business hub: its preferential tax regime; double tax treaties with 54 countries, including the United States, several European nations, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership. As of October 2014, there were about 255,521 companies registered in Cyprus, many of which belong to non-residents, particularly Russians, who are moving their money from banks to investment in business companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the biggest vulnerability for money laundering in Cyprus is primarily from international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market

trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 710 in 2014

Number of CTRs received and time frame: Not available

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 172 in 2014

Convictions: 11 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Cyprus is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

Throughout 2014, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. In spite of the changes, Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. The MOKAS, can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

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

Area Administered by Turkish Cypriots

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 484 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign

exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

The Turkish Cypriot authorities should continue their efforts to strengthen the “FIU” and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money

exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

Czech Republic

The Czech Republic has a mid-sized, export-oriented economy. The country's central location in Europe and openness as a market economy leave it vulnerable to money laundering. Fraud and tax evasion, especially related to the value-added tax (VAT) and excise tax, are reportedly the primary sources of laundered assets in the country. A common tactic for hiding the origin of illicit proceeds is to transfer or layer funds among multiple companies, creating a system of "carousel trading," whereby fictitious invoices, wages, and benefit payments are created. The ultimate goal of the carousel system is to benefit from an unauthorized VAT allowance. Commodities frequently misused for tax evasion include diesel and fuel oils, gas, scrap metal, rapeseed, and precious metals. Officials report that, as the government takes measures against fraud related to one commodity, criminal entities often shift their activities to a new one. Alcoholic beverages are typically exploited in consumption tax fraud schemes.

Online consumer fraud is another source of illicit funds. While perpetrators originally had targeted primarily customers interested in buying electronic goods, such as computers, cell phones, and audio-video equipment, criminals have moved increasingly into fraudulent sale of items that fall below the \$225 per item threshold for criminal prosecution, especially apparel. Victims are less likely to report cases of fraud involving smaller transactions.

According to the Czech police, there have been increased incidences of cyberattacks on banking networks, including isolated cases during the past year of persons gaining illegal access to online banking systems through use of false identities. The Czech police and Ministry of Finance have also reported several cases of fraud and/or money laundering connected to bitcoin and other digital currencies. The government has expressed concern about criminals using the currency in connection to tax evasion, money laundering, terrorist financing, and sanctions circumvention.

Domestic and foreign organized criminal groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers. Illicit proceeds from narcotics, trafficking in persons, or smuggling counterfeit goods are often associated with foreign groups, particularly from the former Soviet republics, the Balkans, and Asia. Proceeds from fraud and tax evasion are typically laundered by specialized groups from various EU states and the Middle East, using the services of local lawyers and tax advisors who specialize in trading with ready-made, shell companies and creating offshore structures, allowing for fund transfers under the umbrella of tax optimization. According to the Czech police, development and investment companies, real estate agencies, currency exchange offices, casinos, and other gaming establishments have all been used to launder criminal proceeds.

While authorities have made substantial progress in combating counterfeit goods in physical markets, the Czech Republic has not completely eliminated the black market for smuggled

cigarettes and other tobacco products, as well as pirated products from Asia, including CDs, DVDs, and counterfeit designer goods. The Czech Customs Administration has found that Asian criminal groups use a portion of the illegal funds from contraband smuggling for the purchase of real properties, which they then use for business activities. There are 10 free trade zones operating in the Czech Republic, but Czech authorities do not consider them to be vulnerable to money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,680: January 1 - October 31, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 59: January 1 - December 31, 2013

Convictions: 36: January 1 - December 31, 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The Czech Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

(MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Effective January 1, 2014, Czech companies issuing bearer shares must register their shares with the Central Securities Depository of the Prague Stock Exchange; have the shares held in a legal entity's safe deposit box; or convert the shares into registered stocks. This new law closes a significant loophole reportedly used to disguise conflicts of interest in public contracts and money laundering schemes. In case of a failure to meet lawful ownership transparency requirements, companies confront a threat of court liquidation. As of July 1, 2014, approximately 11,300 joint stock companies (about 44 percent of the total) were still owned via bearer shares. Law enforcement personnel acknowledge some companies have been searching for other ways to obscure true ownership; joint stock companies showing non-transparent ownership structures reportedly include numerous dormant or inactive companies presenting no business activity and no active points of contact.

The Czech Banking Association adopted new security measures for online banking in an attempt to deter cybercrime. The government has yet to publish any formal regulations on digital currency. In September 2013, the Ministry of Finance published guidance that instructs banks to regard all digital currency payments in excess of 1,000 euros (approximately \$1,215) as suspicious, and to report all transactions associated with such currencies in excess of 15,000 euros (approximately \$18,230).

There is weak AML regulatory oversight of the gaming industry. The Czech gaming industry is represented by a powerful lobby that has succeeded in blocking many proposed regulations. Casinos file a relatively small number of STRs. Other gaming entities, including bars and restaurants with electronic games and slot machines, are not subject to the Anti-Money Laundering Act (AMLA) requirements, even though the concentration of such machines is relatively high compared to other EU member states. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector. The Ministry of Finance's Financial Analytical Unit (FAU), the country's financial intelligence unit, has stated the Government of the Czech Republic will amend the AMLA following European Commission actions regarding gaming restrictions.

Two aspects of the Czech legal framework continue to constrain efforts to prosecute money laundering. First, prosecutors must prove that the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence an individual to prison for one crime, even if several crimes were committed. Convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, so prosecutors have little motivation to pursue money laundering convictions. Nevertheless, the Czech police report the situation is improving as some prosecutors have expressed willingness to prosecute both the predicate offense and the money laundering in one procedure. Police investigated 435 criminal cases of money laundering in 2013, which resulted in approximately \$47 million in frozen assets.

In 2014, to increase effectiveness in combating tax evasion and serious financial criminality, a specialized team consisting of about 100 experts from the Tax Authority, FAU, Counter-Financial Criminality Unit of the Czech police, and Czech Customs was established.

Denmark

Denmark is not a major financial center and does not have a serious problem in the area of financial crimes. Money laundering activity is generally derived from foreign criminal activity and is primarily related to the sale of illegal narcotics, specifically cocaine, heroin, and amphetamines. Immigrant gangs as well as outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. There are no indications of trade-based money laundering as it relates to drug trafficking in Denmark, and public corruption is virtually non-existent. Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,166 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors;

real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Denmark is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/COUNTRIES/D-1/DENMARK/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Denmark has a comprehensive AML/CFT regime and has been cooperative with the United States in drug money laundering investigations.

Businesses which do not have a reporting obligation under the AML legislation, for example, car dealerships, are prohibited from receiving cash amounts of 50,000 DKK (approximately \$8,160) or more. The Danish Customs Act mandates cross-border currency declarations for amounts over 10,000 EUR (approximately \$11,600).

The Somali immigrant community sends large sums out of Denmark every year. It is believed a substantial amount is routed to designated terrorist organizations. Much of the funding is routed via Dubai. Authorities should closely monitor both official and informal alternative remittance systems.

Denmark should continue to enhance its laws and regulations as necessary to adhere to international standards, including by extending its AML/CFT requirements to cover gaming establishments and internet gaming providers.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. Djibouti's GDP continues to grow by over six percent a year due to a surge in foreign investment in the port, construction, and tourism sectors – primarily from the countries of the Gulf Cooperation Council and China.

Djibouti aspires to be a regional financial hub, touting its U.S. dollar-pegged currency and lack of foreign exchange controls as key characteristics of the monetary system.

Djibouti hosts no offshore banks, although its banking laws explicitly permit offshore institutions. The number of locally operating banks has increased from two to 11 in the past eight years. A twelfth bank plans to begin operations in the near future. Hawala and other money/value-transfer services are prevalent in the region, and informal markets for goods are sometimes used for counter valuation.

Smuggled goods consist primarily of highly-taxed cigarettes and alcohol. In addition, recent decreases to the khat import quota have resulted in increases in khat smuggling. Djibouti's cultural and historical trading ties with neighboring Somalia present a risk factor. Many Djibouti-based financial institutions have operations in Somalia, a jurisdiction which has no AML/CFT legislation or other controls. There are also allegations of Djibouti-based financial facilitation on behalf of the Somali terrorist group al-Shabaab.

There are currently two free zones administered by the Djibouti Ports and Free Zone Authority (DPFZA). The chief executive officer of DPFZA reports directly to the Office of the President. One free zone is located at the "old" port. The other, Djibouti Free Zone (DFZ), is located on 40 hectares and offers office space, warehouses, light industrial units, and hangars. Jebel Ali Free Zone, based in Dubai, manages the commercial and operational aspects of the DFZ. The purpose of both free zones is to promote foreign investment in Djibouti with the goal of making Djibouti the gateway to regional and East African markets. They are essentially a "one-stop shop" for companies looking to do business in the Djiboutian market. There are plans to build two additional free zones in the coming years.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, credit establishments, financial and investment intermediaries and advisors, money transfer agents, money changers, casinos, notaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit establishments, financial and investment advisors and intermediaries, money transfer agents, money changers, casinos, notaries, and attorneys

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

Djibouti is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Djibouti recognizes its growing banking sector is vulnerable to money laundering and requires monitoring by the Central Bank's Fraud Investigation Unit (FIU), Djibouti's financial intelligence unit. Although the government enacted its AML law in 2002, enforcement of the law continues to be a challenge. The FIU is not operationally independent from the Central Bank and does not appear to be carrying out the core FIU functions of receiving, analyzing, and disseminating suspicious transaction reports (STRs). Djibouti makes an effort to control all formal transaction points. Informal remittance and value-transfer systems are not monitored. Greater resources and independence would improve the oversight capabilities of the Central Bank and the FIU. Because of Djibouti's free zones, an increasing number of banks, and the introduction of bank-free cash transfers via mobile phones, additional training and resources for the FIU continue to be a critical need. Severe resource limitations constrain the FIU's ability to carry out its investigative and supervisory functions, as well as its ability to collect and analyze basic financial intelligence. Djibouti's FIU has yet to forward a case for prosecution. Djibouti does not have currency transaction reporting (CTR) requirements; rather, the FIU tracks large currency transactions, those exceeding 1,000,000DJF (approximately \$5,600), only if there is an accompanying suspicious transaction report (STR). At the regional level, the FIU works in collaboration with FIUs from member states of the Intergovernmental Authority on Development.

The lack of coordination among different law enforcement authorities, especially security agencies, impedes investigations and adds to an environment in which it is difficult to staff in-depth investigations. Law enforcement expertise in financial investigations and targeting financial crimes is minimal. Djiboutian magistrates and judges also lack both experience and expertise in prosecuting and hearing cases involving financial crimes. The Ministry of Justice examines each predicate offense and seldom considers links to money laundering or terrorism financing unless currency is directly involved.

Djibouti should apply its AML/CFT regime in all current and planned free zones, and to all professionals involved in financial matters. Law enforcement should not wait for a money laundering or terrorism financing referral from the FIU, but rather should investigate financial crimes at the street level and in the ports. The Government of Djibouti should continue to focus on improving customs controls on cross-border currency movements, especially at land borders. The government also should enhance its record-keeping requirements, publish statistics on financial intelligence reports received, and create regulatory and law enforcement benchmarks so as to measure progress in its AML/CFT regime. It should continue to pursue observer status and, ultimately, full membership in an appropriate FSRB.

Dominica

Dominica is a key offshore center with a considerable international business company (IBC) presence and Internet gaming. In 2014, money laundering cases involved external proceeds from fraudulent investment schemes, advance fee fraud schemes, and the placement of euros related to questionable activities conducted in other surrounding jurisdictions. Domestic money laundering is chiefly linked to narcotics activities.

Dominica reports a noticeable increase in the amount of European currency transported to and from the neighboring islands of Guadeloupe and Martinique. Dominica hosts three Internet gaming companies, three offshore banks, and over 16,000 IBCs. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions (FIs) as part of the FIs' know-your-customer programs.

Under Dominica's Economic Citizenship Program, individuals can obtain citizenship for approximately \$100,000 for an individual and \$200,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. 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. An in-person interview also is required.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, venture risk capital, money transmission services, money and securities brokers, traders in foreign exchange, money lending and pawning, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, Internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, venture risk capital, money transmission services, money and securities brokers, traders in foreign exchange, money lending and pawning, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, Internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime Statutory Rules and Orders (SR) 10 of 2014 makes provision for a Code of Practice cited as the Anti-Money Laundering and Suppression of Terrorist Financing Code of Practice. The update ensures every entity puts proper controls in place to detect and prevent money laundering and terrorist financing. Secondly, it provides guidance to every financial services entity and professional to appropriately apply the requirements of the Money Laundering Prevention Act of 2011. This update also promotes the use of an appropriate and proportionate risk-based approach to the detection and prevention of money laundering and terrorist financing.

Dominican Republic

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

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The

major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and construction companies contribute to money laundering activities in the DR.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Corruption is a significant problem in Ecuador and facilitates money laundering. There is no reliable way to judge the magnitude of money laundering activity in the country because only major banks have active money laundering controls and a large number of transactions take place through loosely-regulated money exchange and financial cooperatives. There is evidence that money laundering occurs through trade and commercial activity, as well as through cash couriers. Large amounts of undeclared currency entering and leaving Ecuador indicate that transit of illicit cash is a significant activity.

Deficient financial supervision is an additional vulnerability for money laundering. Structuring (smurfing) is also a serious problem in Ecuador, especially along the northern border with Colombia where low-level criminals frequently cross the border into Ecuador to make deposits into financial institutions under the \$10,000 threshold, thereby avoiding currency transaction reporting (CTR) requirements. Some observers note that money laundering is an important component in Ecuador's financial sector and authorities lack the will to crack down on this activity.

Ecuador first appeared in the FATF's Public Statement in June 2012. The FATF stated Ecuador was not making sufficient progress in addressing strategic AML/CFT deficiencies. The FATF's October 24, 2014 Public Statement acknowledges Ecuador's commitment to address strategic deficiencies in its AML/CFT regime, including the enactment of a new penal code and regulations that address AML/CFT issues. Nonetheless, the FATF noted that Ecuador has not made sufficient progress in implementing its action plan, and certain strategic deficiencies remain, including the lack of adequate procedures to identify and freeze terrorist assets and imprecise procedures for the confiscation of funds related to money laundering.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Savings banks, offshore banks, foreign and domestic private banks, credit information offices, currency exchanges, credit unions, foreign branches of financial institutions, mutual companies, public financial institutions, offices representing foreign banks, financial corporations and groups, credit card companies, insurance providers (including private insurance), cooperatives, trust and fund managers, money transfer companies, couriers, and brokerages

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, credit unions, and mutual savings and loan societies; insurance and reinsurance companies; international bank branches subject to Ecuadorian financial sector supervision; stock exchanges and brokerage firms; fund administrators and trusts; cooperatives, foundations, and NGOs; sellers of vehicles,

watercraft, and aircraft; money transfer and courier services, including operators, agents, and agencies; tourism agencies and operators; individuals and corporations dedicated to real estate investment, sales, and construction; casinos (now banned), gambling houses, bingo parlors, slot machines, and race tracks; pawnshops; dealers of jewels, metals, and precious stones; art and antiques dealers; notaries; property and mercantile registrars

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Ecuador is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://gafilat.org.iplan-unix-03.toservers.com/content/biblioteca/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Key deficiencies in Ecuador's AML/CFT regime and serious obstacles to successful prosecutions remain despite the enactment of Ecuador's new penal code in August 2014. The new law is somewhat contradictory, stating that money laundering is an autonomous crime, yet placing the burden of proof on prosecutors to "investigate" the illicit origins of the money. In many cases, this unclear wording has led to confusion over the law's proper interpretation.

The failure of the new code to specifically criminalize bulk cash smuggling means there is no significant deterrent for this serious issue – failure to declare at a port of entry is punishable only by a 30 percent administrative fine. Furthermore, the law only addresses cash/currency, omitting the smuggling of other financial instruments (bearer bonds, cashier's checks, debit cards, gold, etc.). Authorities can pursue money laundering charges against bulk cash smugglers, but convictions are nearly impossible to obtain in these cases as bulk cash smuggling is considered a "flagrant" crime and authorities are only given 30 days to investigate (in other money laundering cases they are given 90 days to investigate once an arrest is made). In some cases, the authorities are required to advise a suspect that s/he is under investigation, which often results in key evidence disappearing. Police and prosecutors also lack the resources to carry out thorough investigations. Statistics on money laundering prosecutions and convictions are not available, but anecdotal evidence suggests prosecution and conviction numbers are in the single digits.

Ecuadorian authorities have noted trade mechanisms may be used for laundering activities. In August, media outlets reported the Attorney General saying the government had uncovered more than \$130 million in suspicious exports to Venezuela using the *Sistema Uniarario de Compensacion Regional* (SUCRE) trade credit system. Thus far, the government has seized \$57 million related to these transactions.

The new penal code criminalizes terrorist financing in Article 367 whereas previous legislation did not list terrorist financing as a specific crime. Nonetheless, the new law fails to comply fully with international standards on the freezing of terrorist assets, although Article 69 of the new penal code addresses the freezing of assets in felony criminal cases, including terrorist financing.

The Superintendence of Banks and Insurance and the Superintendence of Companies provide regulatory oversight of banks and most other institutions that are required to report financial transactions, but financial cooperatives fall under the Superintendence of the Popular and Solidarity Economy. Financial sector experts note that a lack of adequate oversight in this area facilitates money laundering through the cooperatives.

In 2014, Ecuador demonstrated some commitment to combat financial crimes by enacting its new penal code and working to resolve outstanding deficiencies. The government should follow through on its commitment to take all necessary steps to comply fully with international AML/CFT standards. Ecuador should work to enforce the AML/CFT provisions contained in the new penal code. This would help ensure that its AML/CFT legislation and implementing regulations adhere to international standards, particularly with regard to the freezing of terrorist assets. In order to secure money laundering convictions, Ecuador should reform its law to criminalize bulk cash smuggling, give prosecutors additional time to investigate cases, and allow for investigation without notifying a suspect that s/he is under investigation. Rooting out money laundering and related government and private sector corruption will require commitment by the government. Ecuador should require its financial intelligence unit to provide STR/CTR statistics publicly and ensure it has the resources needed to deter money laundering in Ecuador. The government should make a dedicated effort to train judges, prosecutors, and investigators so they understand completely the country's applicable AML/CFT legislation and regulations.

Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. The Government of Egypt has shown increased willingness to tackle money laundering, but Egypt remains vulnerable by virtue of its large informal, cash-based economy. Despite having a large, well-developed, and well-respected formal financial sector, many smaller-scale financial transactions are undocumented or do not enter the banking system. There are estimates that as much as 80 percent of the small and medium enterprise (SME) sector is unregistered and reliant on the informal economy. Consequently, extensive use of cash is common. Efforts by the Central Bank and the Federation of Egyptian Banks to promote financial inclusion will help incentivize individuals and SMEs to enter the formal financial sector. Sources of illegal proceeds reportedly include smuggling of antiquities and trafficking in narcotics and/or arms. While countering corruption remains a long-term focus, cases involving public figures and entities are long-term projects. Authorities note increased interception of illicit cross-border fund transfers by customs agents over the past few years.

The EU, Switzerland, UK, and Canada have taken action to freeze the assets of former president Mubarak and several members of his regime based on their apparent misappropriation from the Egyptian state.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies and brokers, securities firms, the central registry for securities, funds managers, financial and company formation agents, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, casinos and internet gaming entities, lawyers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,203: July 2013 – June 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies and brokers, securities firms, the central registry for securities, funds managers, financial and company formation agents, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, casinos and internet gaming entities, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Egypt is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MER_Egypt_ForPublication.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On May 15, 2014, the government issued an amendment (Presidential Decree Law no. 36) to law no. 80 of 2002. The amendment applies the “all serious crimes” approach for predicate crimes of

money laundering instead of a list approach; broadens the definition of money laundering; adds to the list of non-financial professions and businesses that are subject to the law; and establishes new, specific penalties for legal persons. In addition to adding substantial fines, the new law removes a one-year limit on the license suspension of a legal person found liable, and allows for the license to be canceled entirely.

The government is currently working to incorporate technical and analytical training on the investigation and prosecution of money laundering and related crimes into its judicial curriculum. In the past, a provision of the penal code had obliged prosecutors to press charges on the most serious, readily provable offense, and because other offenses carried higher penalties than money laundering, prosecutors did not pursue money laundering. Now, judges are required to issue rulings on two punishments, one for money laundering and another for the predicate offense.

While Egyptian prosecutors and judges are keen to learn as much as they can about how to conduct money laundering and other financial investigations, there are institutional obstacles and disincentives to actually conducting such investigations. For example, the functions of investigation and prosecution of the predicate crimes for money laundering (specified unlawful activity) are institutionally separated from prosecution of the money laundering activity itself. The underlying criminal activity is investigated and prosecuted by general and drug crime sections of the Public Prosecution Office (PPO), while money laundering prosecutions are handled primarily by the High State Security Prosecutions section (the same section that prosecutes national security cases). Moreover, although not required by Egypt's money laundering statute, it is the policy of the PPO that prosecution for money laundering requires a prior conviction for the underlying criminal activity, which excludes the potential for prosecution of the people who perform the actual work of laundering money, since they are commonly not involved in, and therefore not guilty of, the unlawful activity from which the illegal proceeds are derived, even though they know the proceeds were derived from some form of unlawful activity. Consequently, there are relatively few money laundering prosecutions in Egypt because the prospective defendants have already been convicted and sentenced for the underlying criminal activity, and the money launderers themselves fall outside the PPO's prosecution policy.

The government should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering activity. Egypt also should work to more effectively manage its asset forfeiture regime, including the identification, seizure, and forfeiture of assets.

El Salvador

El Salvador is part of the transit route for South American cocaine destined for the United States, and the corresponding cash payments returned to South America. The U.S. dollar is the official currency in El Salvador, and the country's dollarized economy and geographic location make it an ideal 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; there is no indication that money laundering is being used to fund

terrorist activities. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens across the respective borders, bypassing formal immigration and customs inspection. This agreement is a vulnerability to each country and the region for the cross-border movement of contraband and illicit proceeds of crime.

According to authorities, organized crime groups launder money through the use of front companies, parking lots, 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 deposited or transferred in a specific pattern to avoid detection by government authorities.

As of December 2014, there are 17 free trade zones (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. A significant number of remittances, estimated at \$4 billion, are transferred through banks; and it is possible narcotics trafficking organizations remit illicit proceeds from drug sales in the United States to El Salvador.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, agricultural credit institutions, pension funds, insurance companies, money exchanges, auditors, accountants, notaries, gaming centers, auto dealers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 714: January - December 2014

Number of CTRs received and time frame: 16,177: January - December 2014

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The regulatory institutions charged with money laundering supervision are weak and lack both human resources and sufficient regulatory powers. The Superintendence of the Financial System supervises only those money remitters, accountants, and auditors with a relationship with a bank or bank holding company. Independent entities are not subject to any supervision, nor are other designated non-financial businesses and professions (DNFBPs).

The Government of El Salvador's General Assembly passed an Asset Forfeiture (AF) Law in November 2013. Implementation is awaiting the final step of the AF program, establishment of an autonomous AF judicial chamber to process the 42 pending AF case investigations from the local Attorney General's (AG) office, of which half are ready for processing. According to the AG's office, the combined estimated amount of assets in cash and vehicles ready for the forfeiture process is \$800 thousand, with another estimated \$30 million in real property. The United States also has several AF cases to process with El Salvador, including one case worth approximately \$10 million, but is waiting for the Salvadoran Supreme Court to vote and establish the AF chamber. The AF legislation allows the government to sell property seized in conjunction with narcotics arrests and to use the profits for counternarcotics efforts or other authorized use. In 2014, assets worth \$600 thousand were criminally forfeited.

The General Assembly also approved an Anti-Money Laundering reform in August 2014 which now includes both foreign and domestic politically exposed persons (PEPs) as part of the legislation.

El Salvador should provide a clear prohibition against tipping off in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons. The Government of El Salvador should develop regulations, guidelines, and adequate supervisory programs for DNFBPs. El Salvador should lower its currency transaction reporting (CTR) threshold from approximately \$57,140 to \$10,000 to comport with the international standard. The government should provide clear guidance on protecting sensitive operational information and safeguarding information received from international partners.

Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. The oil rich country has very low health and education levels. Implementation of its AML laws is not complete and enforcement is

weak. EG's greatest concerns in terms of money laundering and terrorism financing are cross-border currency transactions and the illegal international transfer of money by companies or corrupt individuals. Widespread corruption, at times involving the highest levels of the government, is a primary catalyst for money laundering and other financial crimes. Diversion of public funds and corruption are widespread in both commerce and government, particularly as regards the use of proceeds from the extractive industries, including oil, gas, and timber, the most likely sources of laundered funds. Although there is no significant market for smuggled goods, smuggling for personal use/consumption is endemic. There is no known connection to drug trafficking organizations, organized crime, or terrorists operating locally. There are no significant offshore sectors or free trade zones.

Equatorial Guinea is a member of the Economic and Monetary Community of Central African States (CEMAC) and shares a regional Central Bank (BEAC) with other CEMAC members. The Government of Equatorial Guinea is also a member of the Banking Commission of Central African States (COBAC) within CEMAC.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Treasury, central bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Treasury, central bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Equatorial Guinea is a member of the Task Force against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body. Equatorial Guinea has not had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Equatorial Guinea has taken steps in recent years to improve its AML/CFT regime. Despite these efforts, Equatorial Guinea's officers charged with crime prevention, including the police, judicial police, and the National Agency of Financial Investigation (ANIF), EG's financial intelligence unit (FIU), need professional training in proper financial investigative techniques. There has never been a reported successful money laundering prosecution. Although the AML regulations require covered entities to implement compliance programs and report large and suspicious transactions, financial institutions fulfill these obligations only to a limited degree. Equatorial Guinea does not have cross-border currency reporting requirements. International law enforcement cooperation is weak, although EG works with the European Community in terms of money laundering and terrorism financing through the CEMAC financial agreement with the Treasury of France.

Equatorial Guinea should work with CEMAC and regional partners to establish a fully functioning AML/CFT regime in line with international standards and to strengthen the capacity of ANIF. Equatorial Guinea should criminalize terrorism financing and become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Eritrea

Eritrea is not a regional financial center. Historically, the Government of the State of Eritrea has relied on command economic policies and arrangements. Although reliable statistics are unavailable, exports are currently small, generating little hard currency. The development of the mining sector has led to an increased influx of capital, and some earnings are accruing from mineral exports, notably of gold and copper, which are mostly ploughed back into the mining ventures to purchase increased shares, per the terms of their agreement. The government relies in part on taxation of Eritreans living overseas to sustain itself. Many in the Eritrean domestic population are similarly dependent on remittances from relatives abroad.

Eritrea is a source country for men, women, and children subjected to forced labor and, to a lesser extent, sex trafficking. The level of cross-border trafficking of narcotics is not known, but Eritrea is not believed to be a significant market or transit route for narcotics. There are, however, reports that Eritrean government and military officials profit from contraband smuggling and extortion. Due to its informal, cash-based economy; limited regulatory structure; underground remittances; prevalent use of money and value transfer systems, such as hawala;

proximity to regions where terrorist and criminal organizations operate; and increasing corruption, Eritrea is vulnerable to money laundering and related activities.

The government professes to take action against money laundering, but the mechanisms by which it does so remain unclear. Eritrea does not publish national accounts or trade statistics. The international community has long pressed for fiscal transparency, but for several years Eritrean officials generally have not been prepared to discuss AML/CFT initiatives with international experts.

Some sources continue to charge that elements of the Eritrean security apparatus provide training, supplies, and financing to destabilizing forces in the region. Evidence of the government's past support to insurgents in neighboring states resulted in the UN Security Council (UNSC) levying an arms embargo against Eritrea beginning in 2009. In December 2011, the UNSC toughened existing sanctions, also addressing concerns over the potential use of Eritrean mining revenues to support destabilizing activities. In October 2014, the UN Somalia-Eritrea Monitoring Group (SEMG) reported it found no evidence of Eritrean support to Al-Shabaab during the course of its present mandate.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available
Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:*** Not available
KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* Not available *Other mechanism:* Not available
With other governments/jurisdictions: Not available

Eritrea is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Corruption is a major problem in Eritrea and permeates all sectors of government and society. The line separating the finances of the Eritrean government and the ruling party is blurred and wrapped in secrecy. The Eritrean banking, legal, and regulatory systems are underdeveloped and are not transparent. Laws are generally issued as proclamations. The constitution was distributed to citizens in 2012; Justice Ministry officials say they have long urged implementation, and in 2013 reform-minded elements of the military and citizenry also called for implementation.

Beginning in 2013, the government commenced work on a UN Strategic Partnership Cooperation Framework for a three-year period. Eritrean cooperation with the World Bank and IMF is quite limited, due to the government's objections to perceived conditionality, including with respect to advice-giving. An IMF document from 2003, describing consultations with the Eritrean government on various financial reforms, noted the government had put in place measures to criminalize money laundering and terrorism finance, confiscate terrorist funds, set reporting requirements for suspicious transactions, and establish a financial intelligence unit. In October 2014, an Eritrean representative referred to Eritrea's recently introduced proclamation no. 175/2014 titled "The Anti-Money Laundering and Combating Financing of Terrorism Proclamation."

Eritrea should make public any relevant AML/CFT laws, proclamations, or regulations and seek international assistance to develop an AML/CFT regime that comports with international standards. The Government of the State of Eritrea should become a party to the UN Convention against Corruption, the UN Convention against Transnational Organized Crime, and the International Convention for the Suppression of the Financing of Terrorism.

Estonia

Estonia is a member of the EU and the Eurozone. Estonia has a highly developed and transparent banking sector, and its rule of law is recognized as established and mature. Transnational and organized crime groups are attracted to the country for its location between Eastern and Western Europe. Suspicious transaction reports (STRs) show illicit funds from Internet crime flowing into Estonia. Online gaming and casinos are both legal in Estonia, although the industry is well-regulated by the Estonian Gambling Act. A review of court decisions related to money laundering show that, other than drug related offenses, the most common predicate offenses for money laundering are fraud, computer fraud, and tax related offenses (both domestic and foreign).

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; dealers of high-value goods, precious metals, precious metals articles, or precious stones; and non-governmental organizations and foundations if they receive a cash payment exceeding established thresholds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,492: January 1 - September 30, 2014
Number of CTRs received and time frame: 2,987: January 1 - September 30, 2014
STR covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; and dealers of high-value goods, precious metals, precious metals articles, or precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64: January 1 - October 30, 2014
Convictions: 32: January 1 - October 30, 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The national AML/CFT Risk Assessment Task Force (NRA), launched in 2013, focuses on the legislation and directs Estonia’s key AML/CFT agencies to concentrate on high priority and high

risk areas. The final report of NRA is not complete; however, some new priority areas have been identified. In addition to digital services, Estonia's AML efforts will also be directed to cash transactions and cross-border payment mediation. Other activities include regulating creditors' markets. In accordance with the new legislation, the Estonian Financial Intelligence Unit (FIU) will start to issue licenses to applicable creditors.

Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities. In recent years, the obligated entities considered to be most vulnerable to money laundering have been payment services providers (including alternative payment services) and traders in precious metals, including scrap gold. The FIU has identified a number of money laundering schemes whereby funds obtained from cybercrime committed in neighboring countries were transferred through the payment services market to Estonian "straw men," withdrawn in cash, and physically transported to neighboring countries.

In September 2014, the Estonian Central Criminal Police and the Public Prosecutor's Office, in cooperation with their Finnish counterparts, initiated criminal proceedings against Estonian and Finnish companies for money laundering. Total suspected fraud has been estimated at 6.8 million euros (approximately \$7.7 million). The scheme involved filing fraudulent value-added tax reports. Assets worth more than 500,000 euros (approximately \$570,000) were seized.

Ethiopia

Due primarily to its underdeveloped financial system and pervasive government controls, Ethiopia is not considered to be a regional financial center. Ethiopia's location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Corruption, smuggling, and trafficking in narcotics, persons, arms, and animal products are the key proceeds-generating crimes. As the economy grows and becomes more open, Ethiopian law enforcement sources believe bank fraud, electronic/computer crime, and related money laundering activities could continue to rise. The financial services sector remains closed to foreign investment.

High tariffs encourage customs fraud and trade-based money laundering. Since strict foreign exchange controls limit the possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system, composed of three public banks and sixteen private banks. Law enforcement sources indicate money and value transfer systems, particularly hawala, are widely used. The Ethiopian government attempts to monitor informal value transfer networks within the country and has closed a number of illegal hawala operations.

In October 2014, the FATF removed Ethiopia from its Public Statement, publicly noting Ethiopia's progress in improving its AML/CFT regime.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, accountants, real estate brokers/agents, precious metal dealers, brokers and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 574: July 1, 2013 - November 13, 2014
Number of CTRs received and time frame: 146,066: January 1, 2014 - August 31, 2014
STR covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, real estate agents/brokers, precious metal dealers, brokers and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 6: January 1, 2014 – November 20, 2014

RECORDS EXCHANGE MECHANISM:

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

Ethiopia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. It recently underwent its first mutual evaluation. Once published, its mutual evaluation report can be found at:

<http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ethiopia has taken important steps to improve its AML/CFT regime, including enacting additional AML/CFT legislation. In June 2014, Ethiopia passed the Procedures for Freezing of Terrorist’s Assets Regulation (Regulation No 306/2014). Ethiopia continues to develop its financial intelligence unit, the Financial Intelligence Center (FIC), and has secured capacity-building training for both the FIC and the Ministry of Justice. An action plan developed by the Ministry of Finance aims to further improve Ethiopia’s AML/CFT capabilities.

The FIC has 47 employees, including analysts, administrative staff, and information technology professionals. It is developing its analytical, investigative, and referral capacity. The FIC lacks the technical capacity to effectively sort through and store the over 10,000 currency transaction reports (CTRs) it receives weekly. The FIC has conducted workshops for banks on how to identify suspicious transactions and has engaged with federal prosecutors to improve the prosecution of money laundering cases. In conjunction with international experts, in 2014, the FIC conducted training on regulatory standards for representatives from the Federal Ethics and Anti-Corruption Commission, Revenues and Customs Authority, Ministry of Transport, Ethiopian Professional Association of Accounts and Auditors, Ethiopia Commodity Exchange, and Postal Service, as well as representatives of the construction, legal, real estate, mining and automobile sectors. The FIC is developing memoranda of understanding with other countries in the region.

Although Ministry of Justice officials have received training, the Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and its understanding of how to address them. The government's poor record-keeping systems in general, and lack of centralized law enforcement records in particular, hinder the federal police's ability to identify and investigate trends in money laundering and terrorism financing. Furthermore, inadequate police training and a lack of resources limit the federal police's financial investigative abilities.

The Government of Ethiopia should continue to work to further strengthen its AML/CFT regime and increase the capacity of its supervisors and law enforcement personnel.

Fiji

The Republic of Fiji is a small island state with a population of less than one million. It has relatively significant natural resources and is among the most developed of the Pacific island nations. It is not a regional financial center but serves as a regional hub for transportation and shipping for other Pacific island nations. Currently, there are no operating casinos.

Fiji's geographical location makes it a potential staging point for criminal activities in Australia and New Zealand. Cross-border criminal gangs involving individuals from neighboring Asian countries are alleged to operate in Fiji.

To encourage investment and create economic opportunities in Fiji's Northern and Maritime Island regions, the government declared certain areas as tax free regions. Benefits include a multi-year corporate tax holiday and import duty exemption on raw materials, machinery, and equipment for initial setup. There is also a tax free region from in the North East of Vitilevu targeting agriculture, dairy and other new investments.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, foreign exchange dealers, money remittance service providers, finance companies, law firms, real estate agencies, accountants, insurance companies, and superannuation funds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 522 in 2013
Number of CTRs received and time frame: 380,430 in 2013
STR covered entities: Banks, money remittance service providers, finance companies, regulatory authorities, law firms, real estate businesses, accounting firms, insurance companies, and superannuation funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014
Convictions: 1: January - November 2014

RECORDS EXCHANGE MECHANISM:

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

Fiji is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=49b3f6d3-e03f-4d4e-a2fa-faaab935098a>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The large increase in currency transaction reports (CTRs) received in 2013 was due to submission of backdated reports as part of the FIU’s reporting compliance and data quality project. The number of suspicious transaction reports (STRs) received in 2013 reflects a decrease of 10 percent compared to 2012. In 2013, 459 Border Currency Reports were filed by travelers entering or departing Fiji carrying currency or negotiable bearer instruments in amounts over the threshold.

Fiji’s financial intelligence unit does not have budgetary independence. The Government of Fiji should continue to implement AML/CFT measures that adhere to international standards. Fiji also [should become a party](#) to the UN Convention against Transnational Organized Crime.

Finland

Finland is not a regional center for money laundering, financial crime, or illegal commerce. The major sources of illegal proceeds in Finland relate to financial crimes, and the majority of investigated suspicious financial activities have an international dimension. The number of organized criminal groups has grown slightly in the past few years, as has the number of their members. Illicit funds are normally laundered through currency exchanges and gaming establishments. Terrorism-related fundraising appears to be less of a problem than in other European countries.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; investment firms, management companies, and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawnshops and dealers in high-value goods; casinos and gaming entities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 28,164 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; investment and fund management companies and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawnshops and dealers in high-value goods; casinos and gaming entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

<http://www.fatf-gafi.org/countries/d-i/finland/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Finland has a comprehensive AML/CFT regime. Although still deficient in a few areas, Finland has made significant progress in addressing outstanding issues, and its AML/CFT program is largely compliant and generally effective.

Finland's financial intelligence unit (FIU) implanted a new money laundering database and reporting tool GoAML. During 2013 the FIU started keeping its statistics in a different format, resulting in a more accurate number of STRs and financial transactions compared to previous years.

On June 1, 2013, a new Act on Freezing of Funds with a view to Combating Terrorism entered into force. The act establishes a national administrative mechanism for freezing funds and economic resources of persons and entities involved in terrorism. The FIU has the ability to freeze a transaction for up to five business days in order to determine the legitimacy of the funds. Funds can remain frozen for an extended period when linked to a criminal investigation. According to the Coercive Measures Act, all restraining and freezing orders must be presented to the court every four months. A new order can be given for a "reasonable time," but it is unclear how long that time can ultimately be.

France

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 27,477 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 458 in 2013
Convictions: 28 in 2011

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

TracFin, France's financial intelligence unit (FIU), has hired new officers, updated its investigative methods, and modernized its information systems, making compliance with the KYC rules easier for covered entities. More data is also made available to the public online. TracFin staff has benefitted from additional training, and further improvements are planned. TracFin is examining ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also has been increasingly focused on tax and social benefits fraud, closely collaborating with the Budget Ministry and social security organizations. TracFin has signed new international cooperation agreements with Niger (May 2013), Singapore (July 2013), and the Vatican (June 2014), bringing the number of bilateral agreements to 57.

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

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

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

The Agency for the Management of Seized and Confiscated Assets (AGRASC) oversees the collection and distribution of forfeited assets in cooperation with international partners. According to the 2013 AGRASC report, France has continued to cooperate with international

partners to seize assets, and has implemented sharing agreements with Luxemburg and the UK. However, the sharing of assets with international partners is not yet a routine practice.

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

Gabon

Gabon is not a regional financial center. Gabon suffers from porous borders and smuggling, facilitated by organized criminal groups. Despite fiscal management reform efforts, systemic corruption persists. The embezzlement of state funds, including by politically exposed persons (PEPs), reportedly gives rise to money laundering. There is a large expatriate community in Gabon engaged in the oil and gas sector, the timber industry, construction, and general trade. Money and value transfer services, such as hawala, and trade-based commodity transfers are often used by those expatriates, particularly the large Lebanese community, to avoid strict controls on the repatriation of corporate profits.

The Bank of Central African States (BEAC), based in Cameroon, is a regional central bank that serves six Central African countries and supervises Gabon's banking system. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers, and accountants

REPORTING REQUIREMENTS:

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

STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants, jewelry shops, car dealers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Gabon is a member of the Action Group against Money Laundering in Central Africa (GABAC), an organization in the process of becoming a FATF-style regional body. There is no mutual evaluation report on Gabon.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Agency for Financial Investigation (ANIF), Gabon's financial intelligence unit, is hampered by deficiencies in the law, which merges suspicious transaction reporting (STRs) with currency transaction reporting (CTRs). All transactions over 5,000,000 CFA (approximately \$10,000) are reported, regardless of whether such transactions are deemed suspicious by the reporting institution. Banks may report transactions to ANIF for sums under this threshold, but do so on a case-by-case basis. ANIF still lacks the staff necessary to carry out its essential functions, and existing ANIF staff members report they need more training to improve the agency's effectiveness.

The Gabonese judicial system has been slow to process money laundering cases because the process itself is cumbersome despite ongoing reform efforts, and because judges are not trained to hear such cases. Moreover, the judiciary remains generally inefficient and susceptible to undue influence.

ANIF reports that STRs sent to the Attorney General in recent years were dropped for lack of evidence, dismissed on procedural grounds, or blocked administratively within the Gabonese government. In Gabon, ANIF conducts initial financial investigations and, if there is sufficient evidence, later refers the case to a magistrate for prosecution. Police inefficiency, corruption, and impunity remain serious problems, although the government is stepping up its efforts against corrupt officials. Collection of evidence is also difficult. ANIF is working to raise awareness of AML/CFT and financial crimes cases among the judicial magistrates. In 2014, there were nine ongoing prosecutorial investigations.

The Gabonese are willing to cooperate on international law enforcement matters via the exchange of diplomatic notes and letters. The Government of Gabon should continue working with regional and international organizations to establish a fully functioning AML/CFT regime in line with international standards.

Gambia

The Gambia is not a regional financial center, although it is a regional re-export center. The Gambia derives most of its GDP from agriculture, tourism, remittances, and the re-export trade, with most transactions conducted in cash. Goods and capital are freely and legally traded in The Gambia, and, as is the case in other re-export centers, smuggling of goods occurs. Although The Gambia has limited capacity to monitor its porous borders, customs officials cooperate with counterparts in Senegal to combat smuggling along their common border. A lack of resources hinders law enforcement's ability to combat smuggling more effectively.

The Gambia has been linked to money laundering in West Africa through the now defunct Prime Bank, a subsidiary of the Lebanese Canadian Bank, a bank named by the U.S. government as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act. Prime Bank was reportedly liquidated in 2013 after it was divested by its Lebanese parent and, therefore, unable to meet new capital requirements imposed by the Central Bank of The Gambia.

It is unclear to what extent money laundering is related to narcotics, but recent seizures of large amounts of cocaine and marijuana have heightened renewed international concerns. The rapid growth of commercial banks entering the local market in the past few years, currently 12, also raises possible money laundering concerns. These concerns are further heightened by the problems of persistently weak controls and supervision, the dominance of cash transactions, a poor know-your-customer compliance culture, and massive inflows of tourists.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

The Gambia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Gambia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Following the inauguration of the board of directors of the Financial Intelligence Unit (FIU) in 2013, the FIU was established within the Central Bank with seven staff in January 2014. The Government of The Gambia should now follow through with a planned increase in the FIU's budget to enable it to recruit and train additional personnel.

Similarly, The Gambia should provide adequate resources and capacity to its law enforcement, supervisory, and customs personnel so they are able to effectively fulfill their responsibilities. Gambian authorities should investigate the country's re-export sector to determine whether it is being used to launder criminal proceeds.

Finally, The Gambia should criminalize predicate offenses to money laundering in accordance with international standards, adopt effective laws and procedures to implement UNSCRs 1267 and 1373, and become a party to both the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Georgia

Much of the illegal income in Georgia derives from fraud, falsification of documents, misappropriation of funds, and illegal entrepreneurship. According to the Chief Prosecutor's Office of Georgia, the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity. According to the government, only a small portion of money laundering is related to narcotics trafficking, although there is a domestic market for illegal narcotics and narcotics transit Georgia. Moreover, authorities are just starting to realize that the narcotics trafficking problem is bigger than they thought, which suggests efforts to ferret out money laundering in this context are in their most nascent stages. The Russian-occupied territories of

South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to monitoring.

According to the Investigation Service of the Ministry of Finance, there is a small black market for smuggled goods in Georgia. There is little evidence to suggest it is significantly funded from narcotics proceeds, or that the funds generated by smuggling are laundered through the formal financial system. Smuggled goods are sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the occupied territories of Abkhazia and South Ossetia is unknown. The rapid growth of the gaming industry in Georgia and the corresponding lack of AML regulatory supervision are concerns.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,631: January 1 - September 30, 2013
Number of CTRs received and time frame: 89,827: January 1 - September 30, 2013
STR covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11: January 1 - October 31, 2013

Convictions: 0: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: NO

Georgia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Georgia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On March 18, 2014, the government approved the Strategy and Action Plan for combating money laundering and terrorism financing. The objectives of the strategy include the development of a risk-based state policy against money laundering and terror finance and strengthening Georgia's legal and institutional framework. The action plan lays down specific activities and measures, including legislative amendments, to be adopted in order to fulfill these objectives.

On May 29, 2014, the AML/CFT Law was amended to enhance the effectiveness of Georgia's financial intelligence unit, the Financial Monitoring Service (FMS). The FMS will be reorganized and placed under the Prime Minister of Georgia. Previously, it served under the National Bank of Georgia. The FMS will keep its operational and financial independence. It will continue operating as an independent legal entity of public law and its budget will not be reduced compared to the previous year's financing without its prior consent. By closely working with the Prime Minister, the FMS will have more say in the development of AML/CFT policies in Georgia.

On June 17, 2014, the FMS' regulations on Receiving, Systemizing and Processing the Information by Commercial Banks and Forwarding to the Financial Monitoring Service were amended and now require financial institutions that engage in correspondent banking activities to document the respective responsibilities of each respondent institution and determine from publicly available information if the respondent institution has been subject to a money laundering or terrorist financing investigation or regulatory action.

Every money laundering prosecution in 2014 occurred subsequent to a conviction for a predicate crime that had been charged earlier in a separate criminal action, usually for fraud, misappropriation of funds, or illegal entrepreneurship. Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely include 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. Lack of coordination and information-sharing among various law enforcement and criminal justice agencies are acknowledged to be factors hindering effective money laundering investigations and prosecutions. The Government of Georgia has not adopted

a task force approach to money laundering. Investigations and prosecutions are mostly initiated on the basis of operative law enforcement information and are rarely based on suspicious transaction reports (STRs) or currency transaction reports (CTRs). Government officials have noted that the system of transmitting STRs and CTRs from financial institutions to the FMS is inefficient. Similarly, reports filed by notaries, broker companies, and microfinance organizations generate few inquiries or investigations. The data compiled by the FMS remains an untapped tool for discovering money laundering from a variety of predicate offenses or buttressing findings conducted by law enforcement operations.

Despite the enhanced reporting requirements and implementation of effective monitoring mechanisms, there has been a decline in the number of prosecutions of money laundering cases. This appears to be due to a number of factors, including shifting priorities within the Prosecutor General's Office and prosecutions of former senior government officials who are alleged to have committed financial and other crimes. Other factors include greater judicial scrutiny of money laundering cases and the application of narrower definitions of what constitutes a money laundering case by both judges and prosecutors. The previous Prosecutor's Office applied a broad definition of money laundering and brought money laundering charges in a variety of situations, whereas the current Prosecutor's Office is applying a narrower definition and bringing such charges in a smaller set of circumstances – partially as a result of judicial “push back” due to the judiciary's increasing independence and partly due to a lack of a coherent definition of money laundering.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. Georgia also must define the elements of the offense of money laundering so that the crime is not subject to subjective interpretations by judges and prosecutors.

Germany

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

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

Ghana

Ghana is an important regional financial center, including for illicit financial activity. Ghana's political stability, relatively strong democratic consolidation, and rapid economic growth have reinforced the need for the country to develop a robust AML/CFT regime. Most of the money laundering in Ghana involves narcotics trafficking, various forms of fraud, and public corruption. Advance fee fraud, lottery, romance, and inheritance scams, e-fraud, stolen Ghanaian credit card and ATM account numbers, and check cloning continue to increase. The advancement of technology has complicated regional AML/CFT efforts as computer systems have become the main conduit for financial crimes. In Ghana, internet fraud schemes known locally as "sakawa" are proliferating. Most fraudsters prey on unsuspecting foreigners.

Public corruption is a major source of laundered funds in Ghana, occurring mainly in conjunction with public procurements or the awarding of licenses. Criminals launder illicit proceeds through investments in banking, insurance, real estate, automotive and general trading businesses and, reportedly, donations to religious institutions.

By some estimates, informal financial activity accounts for approximately 45 percent of the total Ghanaian GDP. Trade-based money laundering is sometimes used to repatriate "profit" or to evade customs duties and other taxes. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases, smugglers transport goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals seeking to launder the proceeds of narcotics trafficking or corruption. Ghana is also one of the top

destinations for stolen cars, many originating in the United States. The Gulf of Guinea has also become a hotbed for drug activity, including smuggling using both small and large vessels. The Ghana Navy and Air Force are logistically constrained in their ability to patrol the country's territorial waters.

Regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs). Currently, no banks in Ghana provide offshore banking services. Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is the only active FTZ. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods. They must export at least 70 percent of their output. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations (NGOs), accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers and nominees, funds remitters and exchanges, dealers in motor vehicles, dealers in precious minerals and stones, savings and loan companies, investment firms, brokerage firms, finance houses, leasing companies, capital market operators, oil and gas dealers, real estate companies and agents, freight forwarders, timber operators, and mining companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 263: January 1 - November 10, 2014
Number of CTRs received and time frame: 1,496,931: January 1 - November 10, 2014
STR covered entities: Banks, discount houses, money remitters, finance companies, and money brokers; factors, project financiers and consultants, plant and equipment leasing firms; debt, investment, pension, and fund managers; private ledger services; export finance firms; lawyers, notaries, and accountants; religious bodies and NGOs; securities firms;

insurance and real estate companies; auctioneers, dealers in cars and precious metals and stones; casinos; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 17 in 2014

Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Ghana is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Ghana.html>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ghana remains committed to the fight against ML/TF and other transnational organized crime and continues to make progress in improving its AML/CFT efforts. In March 2014, Ghana's parliament passed the 2013 Anti-Terrorism Amendment Bill and the 2013 Anti-Money Laundering Amendment Bill. The broad objective of both pieces of legislation is to make the 2008 Anti-Money Laundering Act consistent with international AML/CFT standards. The anti-terrorism bill remedies an ambiguity regarding the freezing powers of the High Court relating to terrorist funds. The AML bill makes the Financial Intelligence Center's (FIC) power to request information on currency transaction reports stronger and more flexible. Also in March, the FIC, Ghana's financial intelligence unit (FIU), was admitted into the Egmont Group of FIUs. In 2014, Ghana also expanded its Inter-Ministerial Committee on Money Laundering from five to seven members. Ghana is devising its first AML/CFT national risk assessment and action plan.

The advancement of technology has complicated regional AML/CFT efforts as computer systems and networks have become the main conduit for financial crimes. In 2014, a private cybersecurity and investigations firm based in Accra, launched a training academy that assists businesses, individuals, law enforcement, security agencies, and related stakeholders in investigating electronic fraud and security incidents.

In November 2013, port authorities in Ghana detained a small vessel from Guyana, M.V Atiyah, that was carrying 450 kilograms of cocaine worth \$50 million.

The Government of Ghana should devote more resources to improving the government's technological security architecture and combating its cyber criminals. With a robust legal regime in place, Ghana will need to increase the number of ML/FT cases it prosecutes with an eye toward more successful prosecutions of these types of cases. Ghana should continue its efforts to enhance the implementation of its AML/CFT regime to work toward successful prosecutions and convictions.

Gibraltar

Gibraltar, an overseas territory of the UK, is part of the EU. A November 2006 referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center, which is small internationally but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, and other financial centers.

Bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes, but the territory is heavily policed on land and at sea due to the risk of these activities occurring within its borders or territorial waters. Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment in southern Spain of organized criminal activities from Eastern Europe, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, mutual savings companies, insurance companies, financial consultants, investment businesses, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 547: January 1 – November 28, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Any legal person, whether or not they conduct financial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 – November 28, 2014

Convictions: 0: January 1 – November 28, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Gibraltar is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As a part of the EU, Gibraltar is required to transpose all EU legislation. Gibraltar has a comprehensive range of AML/CFT laws. The criminal laws on money laundering have been consolidated in draft form, and powers presently available only in drug-related money laundering cases are to be extended to money laundering cases involving the proceeds of other crimes. Tax evasion is considered a predicate offense for money laundering.

The Financial Services Commission (FSC), a unified regulatory and supervisory authority for financial services, notes the increasing sophistication of money launderers. The FSC should continue to review regulatory and supervisory practices to keep pace with new developments.

In 2014, EU inspectors called on Spanish and UK authorities to clamp down on tobacco smuggling and money laundering over the Gibraltar frontier, citing evidence that illegal activity, including organized crime, is on the rise. According to reports, Gibraltar, with a population of less than 30,000, imported 117 million packets of cigarettes in 2013. Cigarettes in Gibraltar cost approximately half what they do in Spain.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar's international affairs and may arrange for the ratification of any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 UN Drug Convention, the UN Convention against Corruption, and the International Convention for the Suppression of the Financing of Terrorism have not yet been extended to Gibraltar, although the legislation for such extension is in place.

Greece

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

Evidence suggests financial crimes have increased in recent years, and criminal organizations, some with links to terrorist groups, are increasingly trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in

real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

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

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 108: January 1 - October 31, 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

<http://www.fatf-gafi.org/countries/d-i/greece/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). The FIU has technical and data management systems and capacities to support its functions, but austerity measures to the budget have affected all government agencies, including the FIU. However, the FIU has limited, yet sufficient, financial resources to ensure it is able to fulfill its responsibilities and that its powers are in line with international standards. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

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

Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately \$1,875) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately \$1,875) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$122,195) are subject to examination.

Greece should explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating

within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The government should ensure domestic politically exposed persons (PEPs) are also subject to enhanced due diligence, ensure that designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

Grenada

Grenada's geographic location in the Caribbean places it in close proximity to drug shipment routes from South America to the United States and Europe, but it is not a regional financial center. As a transfer point, money laundering in Grenada is principally related to smuggling and narcotics trafficking by local organized crime rings. Illegal proceeds are typically laundered through a variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

There remains no offshore banking in Grenada, although offshore banking and trust companies and international business companies are permitted. Additionally, no casinos or Internet gaming sites are in operation. The International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. Bearer shares are not permitted. There are no free trade zones in Grenada.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial, investment, and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial, investment, and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 26 in 2014

Convictions: None

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Grenada is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=345&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Grenada Citizen by Investment Act 2013 was passed during the sitting of the House of Representatives on August 2, 2013. The Government passed the legislation as a means to increase revenue in its lagging economy. It is estimated that approximately 1,300 applications have been received from the date of passage at a price estimated to be over \$100,000.

Grenada passed the Proceeds of Crime Amendment in April 2014, which effectively codifies non-conviction-based asset confiscation. Grenada is encouraged to begin filing cases under this amendment.

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

Guatemala

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

Money Laundering and Financial Crimes

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Law enforcement agencies report that money laundering continues to increase, especially by groups of air travelers heading to countries, such as Panama, with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provides an additional avenue to transport bulk cash shipments directly to South America. There is no indication of terrorist financing activities.

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

There is a category of "offshore" banks in Guatemala in which the customers' money (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2014, there were seven "offshore" entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 16 active free trade zones (FTZs). FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking activity. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and offshore banks; credit unions; finance, factoring, and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 774: January 1 - October 31, 2014

Number of CTRs received and time frame: 8,345,729: January 1 - September 30, 2014

STR covered entities: Banks and offshore banks; credit unions; bonded warehouses; finance, factoring, and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; insurance brokers; independent insurance agents; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents; armoring services and rental of armored vehicles; providers of fiscal domicile and other corporate services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33: January 1 – October 31, 2013

Convictions: 47: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Guatemala is a member of both the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force of Latin America (GAFILAT), FATF-style regional bodies. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although staffing of the FIU, the IVE, increased over the last several years, as has the number of filed STRs, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry, i.e., the Attorney General’s office, staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

A 2011 law prevents new businesses from issuing bearer shares of stock. The law required any existing business with bearer shares to convert the shares to nominative by June 2013.

According to information from the Mercantile Registry, about 97 percent of businesses that issued bearer shares prior to the entry into force of this law made the conversion to nominative shares by the June 2013 deadline. Shareholders of businesses holding bearer shares after June 2013 are not able to exercise their rights nor carry out any procedure with the Mercantile Registry.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 0.4 percent in 2013 and 9 percent during the first nine months of 2014 in relation to the same period in the previous year.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in the international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries. Reportedly, covered entities expressed fear that there may be repercussions if they file reports.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money laundering. A draft gaming law has been under review by members of Congress for the last two years, and it is unlikely action will be taken in the near term. Tipping off is not criminalized, and there is no provision to protect STR filers from liability. Guatemala should amend its AML/CFT legislation to include such provisions and to cover all applicable DNFBPs. Furthermore, Guatemala should enact its proposed gaming law.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk that proceeds of crime will be invested in or pass through the Bailiwick. As the majority of customers of Bailiwick businesses are based elsewhere, any such proceeds are likely to arise from foreign predicate offenses.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 693 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2014
Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

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

In lieu of a mutual evaluation, a report was prepared by the IMF; the report can be found at: <http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

The Financial Intelligence Service (FIS) is a law enforcement type of financial intelligence unit (FIU). The FIS primarily performs a pre-investigative and intermediary role before disseminating relevant information not only to domestic authorities but also to counterpart FIUs.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the United States, using the full range of investigatory

powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

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

Guernsey has legislation in place regarding UN sanctions measures, which are implemented by way of an Ordinance under the European Communities (Implementation) (Bailiwick of Guernsey) Law 1994.

Guinea

The lack of record-keeping, weak law enforcement, corruption, and the informal, cash-based economy in Guinea provide a fertile environment for money laundering and its predicate offenses. The situation is made more complex by the Economic Community of West African States' principle of free movement of persons and goods. The country's openness to the sea and the existence of a large sea port provide a major economic opportunity, but also constitute risks that should be addressed by the authorities. Ending the ebola epidemic in Guinea is the top priority of the government and taking most of the government's attention and efforts.

There are a growing number of unauthorized currency dealers that resist government measures against unlicensed operators. Guinea has an extensive black market for smuggled goods, which includes illegal drugs trafficked from Guinea-Bissau and Sierra Leone. Local officials believe the sale of counterfeit U.S. currency in Guinea involves money laundering. It is estimated that 80 percent of the pharmaceutical drugs sold in the region are counterfeit. Reportedly, certain segments of the large Lebanese expatriate community launder the proceeds of outside criminal activity by purchasing or constructing buildings in Guinea for immediate sale. Other money laundering methods used in Guinea include the purchasing of diamonds or gold for resale. Stolen cars from the United States are often destined for West African markets, including Guinea. Due to limited law enforcement capacity, Guinean authorities struggle to determine the nexus between illicit funds and criminal organizations, and possible links to terrorism financing.

In August 2014, Senegalese Customs officials seized the equivalent of \$20 million in Guinean francs at the international airport in Dakar when it was being transferred from a flight from Conakry to a flight going to Dubai. Guinea's Central Bank claimed the transfer was authorized and routine. However, the seizure was widely covered by the media and a full explanation concerning the currency transfer has not been given.

Guinea is plagued by misappropriation of public funds; however, there are no investigations that have connected corrupt Guinean officials with laundering activities. Most illicit funds are

transferred via a widespread and well established network of money transfer agents operating out of local markets.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, non-governmental organizations (NGOs), lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 12 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, NGOs, lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Guinea is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guinea.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Guinea has criminalized money laundering, the Government of Guinea does not consider money laundering and drug trafficking to be high-priority issues. A law criminalizing terrorism financing was passed by the National Assembly in May 2014 and will go into effect in 2015. It was the first law passed by the National Assembly, Guinea's first democratically-elected legislature. The anti-terrorism financing law was passed unanimously. Many types of entities are covered under the AML law, but its reporting and customer due diligence requirements are neither fully implemented nor properly enforced; and many covered entities are not subject to comprehensive supervision or regulation. The only financial reporting that occurs is between local banks and the Central Bank of Guinea.

Guinea lacks the resources necessary for the proper surveillance of its porous borders. Although some controls exist for cross-border currency tracking, they relate only to customs fraud. Customs officials have no authority to enforce AML/CFT controls and there is no central electronic database to record reported cross-border currency movements.

Although institutions are in place to investigate money laundering and financial irregularities, they are hampered by corruption, political tension, and serious limitations of authority and scope. Guinea's fledgling financial intelligence unit (FIU), the CENTIF, an autonomous agency established by Presidential decree in 2013, is not operational as of the end of 2014. The CENTIF committee members were named in the decree and will include representatives of the Ministry of Economy and Finance, police, Ministry of Justice, Ministry of Security and Civil Protection, Customs, and the Central Bank. The National Assembly allocated funds for the FIU in the 2015 budget. However, the government has yet to identify appropriate office space for CENTIF or hire and train the necessary staff to assume its proper functions. Because of other government priorities, it is likely that CENTIF will suffer the same fate in 2015 as it did in 2013 and 2014 – no action. Until CENTIF is fully operational, current oversight of money laundering issues continues to be managed by the Director General of the Central Bank in charge of supervising financial institutions.

In 2013, Guinea became a party to the UN Convention against Corruption. Guinea's autonomous Anti-Corruption Agency (ANLC) reports directly to the president and is currently the only state agency focused solely on fighting corruption. However, it has been largely ineffective in its role with only two cases prosecuted, with no convictions, in 2014. The ANLC also receives anonymous tips from a hotline concerning possible corruption cases. However, during the past two years there have been no prosecutions as a result of these tips. The ANLC executive director stated the agency is underfunded, understaffed, and lacks the basics to fight corruption, such as computers and vehicles. The ANLC is comprised of 42 employees in seven field offices and operates on a budget of \$1.1 million per year. The former head of the ANLC was a champion of the anti-graft movement and was assassinated by unknown assailants in 2012. No one has been brought to justice for her murder. No successor has been named following the death of the current director in November 2014.

Corruption within the judiciary, funding shortages, and ineffective law enforcement make it difficult for Guinea to cooperate fully with foreign governments to combat financial crime.

Guinea has been cooperative with U.S. law enforcement efforts, including cooperating with the U.S. Secret Service on a counterfeit case in 2013.

Guinea has laws to criminalize money laundering and terrorism financing but it must now devote the necessary resources to implement and enforce these laws. Although Guinea has a tipping off provision, it only applies to the subject of an STR; it should be expanded to apply to disclosure to any third person. The government also should strive to staff and train its law enforcement, FIU, judiciary, intelligence, and customs officials to recognize and combat financial crimes, including money laundering.

Guinea-Bissau

Guinea-Bissau turned a significant corner this year after the election of a new National Assembly and of José Mario Vaz as president. Taking office in June 2014, the president appointed a government that includes strong reformers in key roles, including prime minister, ministers of Justice and Finance, Attorney General, and director of the Judicial Police. The Government of Guinea-Bissau has committed itself to a program of security, judicial, and financial reform and has sought and received assistance from international partners. Signaling its seriousness about reforming the military, the government removed and retired the military chief of staff, Antonio Indjai, for whom a U.S. arrest warrant for drug trafficking was issued in 2013. In addition, more than 200 officers and 2,000 enlisted soldiers have been dismissed.

Despite initial efforts on the part of the new Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a “narco-state” persist. The 88 islands that make up the Bijagos Archipelago, combined with a military still able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for drugs. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Drug barons from Latin America and their collaborators from the region and elsewhere have taken advantage of Guinea-Bissau’s extreme poverty, unemployment, history of political instability, lack of effective customs and law enforcement, and general insecurity to transship drugs destined for consumer markets, mainly in Europe. The value of the illicit narcotics trade in Guinea-Bissau, one of the poorest countries in the world, is much greater than its legitimate national income. Using threats and bribes, drug traffickers have been able to infiltrate state structures and operate with impunity.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government on April 12, 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members. On April 8, 2010, the United States Department of the Treasury designated two Guinea-Bissau-based individuals, former Bissau-Guinean Navy Chief of Staff Jose Americo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara, as drug kingpins, thereby prohibiting U.S. persons from conducting financial or commercial transactions with those individuals and freezing any assets they may have under U.S. jurisdiction. The U.S. Drug Enforcement Administration arrested Na Tchuto in 2013. Combined with a police history of seizing only modest quantities of drugs in recent years, the 2013 arrest as well as the

outstanding warrant against the then-head of the army underscore the extent of complicity with drug trafficking at the highest levels.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the informal and cash sectors in addition to the underground economy. The cohesion and effectiveness of the state itself remain very poor, despite the beginning of the new government's efforts to initiate reforms. Corruption is a major concern and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack the basic resources, such as electricity, they require to function.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1: May 2013 - November 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks; microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, NGOs, and intermediaries such as lawyers, accountants, notaries, and broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guine-Bissau.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guinea-Bissau is not in full compliance with international standards and accords against money laundering and terrorism financing because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised; and the financial intelligence unit (FIU) is only partially functional, in part owing to the lack of resources, analytical staff, and proper office space. Guinea-Bissau has signaled its intention to adopt regulatory measures to implement the International Convention for the Suppression of the Financing of Terrorism, but has provided no specific timeframe for doing so.

The Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU), has been adopted by Guinea-Bissau, but its publication has been pending for several years; thus, the law is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of customer due diligence procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation.

Guinea-Bissau lacks a framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373. In 2013, the Bissau-Guinean Council of Ministers approved a bill, which was before Parliament as 2013 closed, to validate the Portuguese translation of WAEMU Regulation 14 on the freezing of assets; approved a decree to designate the Ministry of Finance as the competent authority for the freezing of assets, although as 2013 closed it was still awaiting presidential signature; and agreed to designate the Ministries of Finance, Justice, the Interior, and Foreign Affairs as the Inter-Ministerial Committee on Asset Freezing. The current status of these proposed actions is unknown.

Guinea-Bissau needs to implement the Anti-Money Laundering Uniform Law. Further, Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the AML/CFT threat. Guinea-Bissau should continue to work with its bilateral and regional partners to establish and implement an effective AML/CFT regime, including by criminalizing outstanding predicate offenses to ML, criminalizing the provision of funds to an individual terrorist without the commission of a

terrorist act, examining the feasibility and usefulness of a currency transaction disclosure system, establishing border controls, and developing a national system for the compilation of comprehensive statistics. Guinea-Bissau also should ensure the sectors covered under the AML law have implementing regulations and competent supervisory authorities. It should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police, prosecutors, and judiciary to combat crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

Guyana

Historically weak law enforcement and judiciary systems, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guyana. Although narcotics trafficking and corruption are alleged to be the primary sources of laundered funds, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax evasion, and vehicle theft, is substantial.

Guyana is neither an important regional or offshore financial center, nor does it maintain any free trade zones. Guyana's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem. In addition, there are reports indicating the narcotics trade may be increasingly linked to arms trafficking involving Europe and the Western Hemisphere.

While the extent of the hawala system in Guyana is not known, there is a culture of using informal networks to move money between Guyana and the diaspora. For example, it is common to use cash couriers to move large sums of money from Guyana, or to move money using informal familial networks. Unregulated exchange houses pose a risk to the AML/CFT regime in the country, as they also are used both for the exchange of currency and to transfer funds to and from the diaspora. Finally, casinos are legal in Guyana and may pose a risk for money laundering.

In May 2014, the Caribbean Financial Action Task Force (CFATF) issued a public statement declaring that Guyana is a money laundering and terrorist financing risk to the international financial system after it failed to amend its AML laws. The CFATF called upon its members to consider instituting countermeasures to protect their financial systems from the money laundering and terrorism financing risks emanating from Guyana.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 805 in 2012
Number of CTRs received and time frame: 42,635 in 2012
STR covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Guyana is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=343&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government is highly centralized and hierarchical, with significant decisions requiring presidential or cabinet approval. This system discourages individual initiative and the exercise of individual discretion, slowing money laundering investigations. Although existing AML/CFT legislation gives the financial intelligence unit (FIU) authority to investigate alleged money

laundering and terrorism financing, the FIU does not have the resources or capacity to conduct such investigations. The FIU also lacks a developed procedure to investigate suspicious activity reports from financial and other organizations.

A Special Organized Crime Unit was established in June 2014 to investigate suspected money laundering crimes and prosecute persons suspected of terrorism and financial offenses. The unit is not yet fully staffed or operating, though training for the unit has already begun.

The Government of Guyana should designate the relevant authority responsible for asset forfeiture to implement fully Guyana's existing asset forfeiture laws. The government also should increase its efforts to implement its 2009 AML/CFT legislation. There have been no prosecutions under this legislation.

Guyana should raise the awareness and understanding of AML/CFT laws and practices within the judicial system and in agencies with the authority to investigate financial crimes. Suspicious activity reporting, wire transfers, and customer due diligence regulations should be strengthened and additional resources extended to the FIU. The government should renew efforts to pass legislation enhancing the AML/CFT regime that has failed to pass parliament in recent years.

Haiti

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

Foreign currencies comprised 56.9 percent of Haiti's bank deposits in September 2014, according to the Haitian Central Bank, down slightly from a year earlier.

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

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

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 68: January 1 – November 21, 2014
Number of CTRs received and time frame: 83,632: January 1 - November 21, 2014
STR covered entities: Banks, cooperatives, credit unions, currency exchanges, money order businesses, insurance companies, casinos, real estate firms, and accounting firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

<https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past year, the Government of Haiti took steps to implement a new AML/CFT regime based on legislation passed in 2013. The legislation expands the obligation of suspicious transaction reporting to non-financial businesses and professions, criminalizes terrorism financing, enables immediate freezing of assets of UN-designated groups or individuals, and allows courts to order seizure of assets for any parties convicted of money laundering or terrorism financing. Implementation of the law is in its early stages.

The country’s financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework, including analysis and investigation which led to the arrest of a prominent local businessman on drug trafficking and money laundering charges. Continued issues in the judicial sector, however, mean this progress is not yet reflected in conviction rates.

In May 2014, the Executive signed a long-delayed anti-corruption bill that imposes prison sentences of 3-15 years for a host of newly codified crimes, including bribery, embezzlement of public property, illegal procurements, and laundering of proceeds of crime. While implementation remains outstanding, the bill's passage after years of delay constitutes a strong positive step to try to address public corruption.

The FIU forwarded two cases to the judiciary in 2014. An investigating judge has two months from arrest to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data, meaning that investigations typically last at least a year.

Haiti should continue to devote resources to building an effective AML/CFT regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The 2013 AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. The government remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were approved by the Council of Ministers, but are now under review by a presidential commission; after the commission's approval, the codes will go to Parliament for approval. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments.

Holy See (Vatican City)

The Holy See is an atypical government, being simultaneously the supreme body of government of the Catholic Church, and a sovereign entity under international law. It operates from Vatican City State, a 0.44 square kilometer (0.17 square mile) territory created to provide a territorial basis for the Holy See. The Institute for Works of Religion (IOR) performs functions similar to that of a bank, so it is commonly referred to as the "Vatican Bank." Unlike a normal bank, the IOR does not loan money, and IOR accounts do not collect interest; nor does the IOR make a profit for shareholders or owners. Rather, the IOR acts as a clearinghouse for Vatican accounts, moving funds from Catholic Church sources to Catholic Church destinations. Approximately 19,000 customers have accounts in the IOR; most of these people are bishops, religious groups, nuns, and clergy.

There is no market for illicit or smuggled goods in Vatican City, and there are no indications that trade or drug-based money laundering occurs in the jurisdiction. There are no indications of any ties to terrorism financing activity. The population of Vatican City, around 800, consists almost entirely of priests (Holy See officials) and members of religious orders.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: All institutions, entities, or persons dependent on the Holy See, including departments of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as non-governmental organizations (NGOs), religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 202 in 2013
Number of CTRs received and time frame: 2,107 in 2013
STR covered entities: All institutions, entities, or persons dependent on the Holy See, including departments of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as NGOs, religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

The Holy See is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/countries/HolySee_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Vatican has made progress on improving its AML/CFT procedures. The Holy See also made steady progress in modernizing its financial legal framework in 2014, and has made significant progress in implementing the laws passed in 2013, although it will take time to integrate fully all the procedures in question. In February 2014, Pope Francis created the Secretariat for the Economy, which exercises its authority over all economic and administrative activities within the Holy See and Vatican City State (HS/VCS). The Pope also created the position of General Auditor under the Secretariat of the Economy. The General Auditor will be

a lay expert and will have authority to conduct financial audits and supervision of all HS/VCS offices, including for money laundering and corruption.

Based on recommendations from international experts, Pope Francis issued a series of laws, statutes, and procedures in 2013, in order to bring HS/VCS structures in line with international and European legal standards. These laws clarify the Holy See's jurisdiction over financial crimes and the prudential supervisory role of the Financial Information Authority (AIF), the Holy See's financial intelligence unit (FIU). The laws make clear the AIF's autonomous role to regulate and prevent money laundering, and to report on suspicious transactions and cross-border transactions. The laws on AIF's prudential supervisory authority go into effect in January 2015. The changes also update the Holy See's legal code to incorporate the standards set forth in the UN Convention against Corruption (UNCAC) and other UN Conventions. However, the Holy See is not yet a party to the UNCAC. These legal revisions, as well as earlier laws, fully criminalize money laundering and the financing of terrorism, and give the Holy See authorities sufficient powers to freeze, seize, and confiscate criminal funds and assets.

In January 2014, the IOR published a report on the progress of the compliance and transparency programs, revised its AML/CFT guidelines, and standardized and improved reporting to the AIF, resulting in the establishment of suspicious transaction report (STR) and currency transaction report (CTR) procedures and clear guidance on indicators of irregular transactions. In April 2014, Pope Francis ruled the IOR will remain operative and approved recommendations on continued reforms to the IOR's operations. The system being put in place by the Vatican has helped prevent, deter, identify, and prosecute cases of individual malfeasance and money laundering.

The Vatican issues and periodically updates a national terrorist list, based on UNSCRs.

Vatican City State's Gendarmerie is responsible for investigating financial crime and money laundering offenses. The Holy See addressed previous training deficiencies, and Gendarmerie officials received additional training in financial crimes in 2014.

The Vatican should continue to work on the implementation of its laws and continue its reforms. The Holy See should become a party to the UNCAC.

Honduras

Honduras is not an important regional or offshore financial center. Money laundering in Honduras continues to stem primarily from significant narcotics trafficking throughout the region. Human smuggling of illegal migrants into the United States and corruption also constitute growing sources of laundered funds, particularly in recent months.

Honduras' geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of citizens of these countries across their respective borders without visas; however, citizens can be subject, where necessary, to immigration or customs inspections. The agreement represents a

vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

Money laundering in Honduras derives both from domestic and foreign criminal activity. The majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. Laundered proceeds typically pass directly through the formal banking system, but are also known to pass through remittance companies, currency exchange houses, and the construction sector; money laundering through the automobile and real estate sectors continues to increase. These factors, combined with the country's lack of resources for investigations and analysis and corruption within the law enforcement and judicial sectors, contribute to a favorable climate for significant money laundering. There is not a significant black market for smuggled goods; however, there is some smuggling of items such as liquor, firearms, gasoline, illegally caught lobster, and cigarettes.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lending companies, and financial service companies; check cashers; issuers or processors of financial instruments, traveler's checks, or money orders; money transfer businesses; stock exchange, exchange houses, exchange posts; general deposit warehouses; public and private pension managers; insurance companies; casinos and gaming establishments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 741: January 1 – October 31, 2014
Number of CTRs received and time frame: 96,084: January 1 – October 31, 2014
STR covered entities: Banks; insurance companies; money exchange or remittance services; cooperative institutions and financial societies; credit card issuers; securities firms; private or public pension funds; notaries; real estate intermediaries; car dealers; dealers in precious metals, jewels, art, and antiquities; and lotteries and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11: January 1 – October 31, 2014
Convictions: 6: January 1 – October 31, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Honduras is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. A GAFILAT mutual evaluation of Honduras has not yet been completed. Previous evaluations are not available.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

At the ministerial level, the Interagency Commission for the Prevention of Money Laundering and Financing of Terrorism (CIPLAFT) was created in 2004 to address these challenges. The CIPLAFT, formerly a non-functioning body, has now taken the lead in coordinating public offices that play a role in the implementation of the Asset Forfeiture Law and money laundering controls. Moreover, the CIPLAFT president has received support from the Honduran president, who has instructed all members that attendance at CIPLAFT plenary sessions is mandatory.

Lack of data and systematic analysis makes it difficult for the Honduran government to identify trends in money laundering. The National Banking and Insurance Commission (CNBS) is the primary regulator for AML/CFT compliance. The CNBS' capacity to conduct compliance investigations is limited due to insufficient staff. Similarly, the Financial Investigation Unit (FIU), Honduras' financial intelligence unit, which is housed within the CNBS, is fully operational but inadequately staffed. Low staffing levels combined with increased responsibility delay response times for prosecutors' information requests. The FIU does not have operational and budgetary independence. There were 162 suspicious transaction reports (STRs) referred to the Public Ministry by the FIU between January 1, 2014 and October 31, 2014.

Honduras revised its STR form in order to capture as much information as possible from individuals conducting suspicious cash transactions. This action followed numerous complaints claiming that financial institutions were not properly identifying customers or individuals conducting financial transactions. The revised STR was presented to the Honduran Banking Association for additional review and is currently awaiting the approval of the President of the CNBS, who will sign a resolution for its implementation.

Historically, lack of cooperation, communication, and coordination at all levels within the Government of Honduras has obstructed a higher success rate in investigations and prosecutions. In addition, Honduran law enforcement practices rely on unsophisticated techniques such as paper files and unsecured emails and evidentiary documents, which allows information to leak and ultimately affects the integrity of investigations. However, the situation has improved, as demonstrated this year in an operation against the Valle Family in the Department of Copan. The Valles are designated under the U.S. Foreign Narcotics Kingpin Designations Act. Shortly after the designation in 2014, a Honduran interagency team planned and executed an operation that resulted in the arrest of 10 individuals associated with the Valles, three of whom are currently awaiting extradition to the United States on charges of trafficking narcotics in multiple

jurisdictions. In addition, Honduras seized approximately \$50 million in bank accounts and other assets, including a cattle ranch, a hotel, and luxury real estate.

The Government of Honduras should develop an integrated national strategy against criminality and impunity to support the AML/CFT regime improvements. Insurance brokers, lawyers, and accountants are obligated to report suspicious transactions, but in practice no reports are filed. The legality of bearer shares presents a significant money laundering vulnerability. The government should fully implement its laws requiring the establishment of a supervisory entity for designated non-financial businesses and professions and adopt implementing regulations to bring those entities under the AML/CFT regime. While mechanisms are in place to freeze terrorist assets, systematic inefficiencies and lack of capacity hinder timely action.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of May 2014, Hong Kong's stock market was the world's sixth largest, with \$3.04 trillion in market capitalization. Already the world's eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating the equivalent of over \$122.8 billion in RMB-denominated deposits at authorized institutions as of September 2014. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, securities and insurance entities, money service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,390: January 1 – October 31, 2014

Number of CTRs received and time frame: Not applicable

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 194: January 1 - October 31, 2014

Convictions: 122: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/hongkongcina/documents/mutualevaluationofhongkongchina.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A task force established in 2013 is to conduct a national AML/CFT risk assessment. Over the last two years, financial regulators, most notably the Hong Kong Monetary Authority, conducted extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance.

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

Hong Kong should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering. The government should establish a cross-border currency reporting requirement. Hong Kong should also implement a

mechanism whereby the government can return funds to identified victims once it confiscates criminally-derived proceeds.

Hungary

Hungary is not considered a major financial center; however, its EU membership and location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well developed financial services industry make it attractive to foreign criminal organizations. Law enforcement has observed an increase in organized crime groups using Hungary as a base of operation for cyber-related fraud, and the use of shell companies and the banking system to launder the proceeds.

Hungary has been identified as a transit country for illegal drugs coming from Turkey and Asia and moving to other European destinations. Research suggests that, since entry into the EU's Schengen zone, this vulnerability has increased. Particular vulnerabilities may exist on the Hungarian-Ukrainian border related to tobacco smuggling and trafficking in persons, which the National Tax and Customs Authority strives to prevent.

Authorities believe money laundering cases mostly stem from financial and economic crimes, such as tax-related crimes, cyber-fraud, embezzlement, misappropriation of funds, and social security fraud. Illicit proceeds also result from narcotics trafficking, prostitution, trafficking in persons, and organized crime activities. Other prevalent economic and financial crimes include real estate fraud, forgery, and the copying/theft of bankcards. There is a black market for smuggled goods, primarily related to customs, excise, and value-added tax evasion. No international terrorist groups are known to operate in Hungary.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civily:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO
KYC covered entities: Banks; investment service providers; employer pension services; commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos, card rooms, online gaming; precious metal and high-value goods traders; lawyers; and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,723: January - June 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; investment service providers; employer pension services; commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos, card rooms, online gaming; precious metal and high-value goods traders; lawyers; and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 18: July 2013 - July 2014

Convictions: 4: July - December 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Hungary is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Hungary has adopted significant legal and institutional changes to address AML/CFT issues, including a series of amendments to its criminal code and AML/CFT law.

In 2013, the Hungarian parliament passed an amendment allowing Hungarian citizens to open a special type of savings account to transfer foreign funds into the country without notifying tax authorities. According to the Ministry of Economy, the banks record accountholders' personal identification data in accordance with due diligence rules, but do not share the information with the tax office unless it is specifically requested for a tax investigation. As of the third quarter of 2014, customers hold about 29 billion HUF (approximately \$120 million) in 444 separate accounts at seven domestic banks under these new rules. Hungarian officials have stated that these accounts will comply with AML legislation.

Iceland

Iceland is not considered a regional financial center. Money laundering in Iceland is related primarily to tax evasion, narcotics smuggling, fraud and economic crimes, and underground casinos. Over the years, very few cases have been registered as pure money laundering cases, mainly due to the unavailability of statistical data. Further, Iceland has not conducted specific typology analyses on suspicious transaction reports (STRs). Financial crimes concerning market manipulation have been prosecuted, but the scale of money laundering involved in such activities

is not clear. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. The Economic Crime Unit at the National Commissioner of the Icelandic Police (NCIP) continues to investigate criminal actions in connection with the 2008 collapse of Iceland's financial system.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 198: January 1 – June 30, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Iceland has improved its AML/CFT regime through the implementation and enforcement of existing laws. Iceland does have a legal framework that allows authorities to

freeze terrorist assets in a timely manner; however, all orders to freeze assets must have prior judicial approval. The country does not have asset sharing capabilities.

The NCIP merged with the Office of the Special Prosecutor (OSP) in 2012. The NCIP faces a decrease in its budget in the 2015 budget bill. The budget bill states the OSP budget will need to be reduced approximately 50 percent in 2015, or by 423 million ISK (approximately \$3.43 million). OSP expects to decrease its operations extensively in 2015, which will be its last operational year based on act No. 135/2008 on the OSP. OSP will need to lay off 16 people out of 66 and stop investigating some cases if no changes are made to the budget bill. According to a supplemental bill, written in mid-November 2014 and now being discussed in the parliament, the OSP will receive additional funding to help finalize investigations on older cases. The OSP would receive more than the budget bill proposes but would still be subject to a reduction of 58 million ISK (approximately \$470 thousand) instead of 423 million ISK (approximately \$3.43 million).

The NCIP operates the financial intelligence unit (FIU), which oversees AML/CFT matters. The FIU participates in the interagency committee on measures against money laundering. The FIU reports its primary challenges are a shortage of staff and funding. In addition, the lack of special infrastructure prevents them from registering and analyzing STRs. The FIU says there is, and always has been, a lack of expertise in the FIU. In Iceland, the National Police Investigation Division investigates predicate offenses, money laundering, and terrorism financing. The FIU continues to work with the commercial banks, life insurance companies, and securities brokers to educate staff on AML matters. According to the FIU, even though considerable progress has been made in this area and most reporting parties now understand their obligations, non-financial institutions appear to lag in meeting the reporting requirements. In comparison to the previous year, the number of STRs filed with the FIU fell dramatically in 2014.

Under Icelandic law, real estate agents and auditors are not subject to supervision by a public authority. The Government of Iceland should appoint supervisory authorities to effectively monitor these service providers, and they should be required to file STRs. The FIU should continue educating reporting entities regarding measures against money laundering. The government also should continue to enhance policies and procedures as appropriate and should implement a domestic mechanism to allow designation of terrorists at a national level as well as to give effect to designations and asset freeze requests from other countries.

India

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

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

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

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of September 2014, there were 192 SEZs in operation, and 564 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples,

churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 54,000: April 2013 - March 2014

Number of CTRs received and time frame: 9,600,000: April 2013 - March 2014

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/india/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although India has taken steps to implement an effective AML/CFT regime, deficiencies remain. In 2012, the Government of India enacted amendments to the Prevention of Money Laundering Act (PMLA). While the amendments to the PMLA widen the definition of money laundering, the government has not changed its enforcement model. India also should address noted shortcomings in both the criminalization of money laundering and terrorism financing, and the domestic framework of confiscation and provisional measures. The government should ensure all relevant sectors of designated non-financial businesses and professions comply with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of November 2014, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while India has taken

action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

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

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

Indonesia

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

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

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

Money Laundering and Financial Crimes

The FATF has included Indonesia in its Public Statement since February 2012, with the most recent statement issued October 24, 2014. While the FATF noted improvement in Indonesia's AML/CFT framework, Indonesia has failed to implement its action plan within the agreed upon timelines and lacks an adequate legal framework and procedures for identifying and freezing terrorist assets.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29,035: December 1, 2013 - September 30, 2014

Number of CTRs received and time frame: 1,534,758: December 1, 2013 - September 30, 2014

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: December 1, 2013 to September 30, 2014

Convictions: 24: December 1, 2013 to September 30, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Indonesia's financial intelligence unit, known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia's AML regime. PPATK publishes detailed, lengthy reporting statistics on its website on a monthly basis.

Although Indonesia's CFT legislation provides for the freezing of terrorist assets linked to the UN list of designated terrorists and terrorist organizations, Indonesia continues to lack an effective mechanism to implement UNSCRs 1267 and 1373. A joint regulation drafted by an Indonesian Counterterrorism Task Force in order to address these concerns is currently under review by international experts. As of December 2014, Indonesia had frozen the assets of all UNSCR 1267/1989 listees but had not yet issued freeze orders for Taliban-related individuals and entities pursuant to UNSCR 1988. To be compliant with international standards and further develop its asset freezing regime, Indonesia must ensure freezing without delay under all relevant sanctions.

Since the CFT law's inception in March 2013, 15 terrorism finance cases have been brought to court. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions.

Iran

Although not a global financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often, for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* have ties to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

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

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia, such as the Houthi group Ansarallah in Yemen, the Assad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

In recent years, the international presence of Iranian banks has diminished as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as in reaction to the FATF statements on Iran's lack of adequate AML/CFT controls. Iran has used its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. In March 2012, the Society of Worldwide Interbank Financial Telecommunication (SWIFT) removed Iranian financial institutions from its network, curtailing the institutions' ability to send and receive international wires, in order to comply with EU sanction violations. The United States has designated at least 20 Iranian banks and subsidiaries under counter-proliferation and terrorism authorities, and in a 2014 report, the UN also designated two banks.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:***
Not available

KYC covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central

Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: Not available

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks, located in Iran and overseas, designated in connection with Iran's proliferation activities (E.O. 13382); one state-owned Iranian bank (Bank Saderat and its foreign operations) designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

Additionally, Iran has been the subject of several UNSCRs and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation-sensitive nuclear activities. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 amending the Iran Sanctions Act of 1996, makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum or goods and services for Iran's refined petroleum sector.

In 2011, President Obama signed the National Defense Authorization Act for Fiscal Year 2012. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. The Iran Threat Reduction and Syria Human Rights Act of 2012 expands sanctions on Iran's energy sector and against human rights violators. These build upon the sanctions from previous U.S. legislation and UNSCRs.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2014, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2014 Public Statement, said it remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing, and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF and recent submission of information. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen countermeasures in February 2015.

The EU also has adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted several measures, including sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade. In October 2012, the EU approved legislation placing further restrictions on financial transactions with Iran, and strengthening prohibitions on the export of dual-use items and technologies, and the import of Iranian gas.

Iraq

Iraq's economy is primarily cash-based, and its financial sector is severely underdeveloped. Iraq has about 2,000 financial institutions, most of which are currency exchanges and hawalas. There is approximately one commercial bank branch for every 50,000 people, and ATMs are even less common. U.S. dollars are widely accepted. Due to weak supervision and regulation of banks and other financial institutions, there is little data available on the nature and extent of money laundering in the country. Iraqi law enforcement and bank supervisors have little recourse and poor capabilities to detect and halt illicit financial transactions. Hawala networks, both licensed

and unlicensed, are widely used for legitimate as well as illicit purposes. Iraq lacks the capacity to adequately regulate these informal financial institutions.

Since June 2014, when Iraq's ongoing conflict with the Islamic State of Iraq and the Levant (ISIL) escalated, it has been more difficult for the Government of Iraq to monitor AML/CFT in areas outside of central government control. This has created opportunities for ISIL and other groups to exploit the vulnerabilities in Iraq's inability to adequately monitor its entire financial system.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, as well as petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity by smuggling and illicitly trading crude oil and refined fuels. Bulk cash smuggling is likely common, in part because Iraqi law only allows for the seizure of funds at points of entry, such as border crossings and airports. Trafficking in persons, intellectual property rights violations, and currency counterfeiting also have been reported. Narcotics trafficking occurs on a small scale but is a growing concern to Iraqi authorities. Kidnappings for ransom are increasing, rising in tandem with violence levels. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive among the local, provincial, regional, and national government levels and is widely regarded as a cost of doing business in Iraq.

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

On January 2, 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that replaces the across-the-board five percent tariff rate enacted a decade ago by the Coalition Provisional Authority, with a much broader scale of some lower, and mostly higher tariff rates. The government has stated it intends to fully implement the 2010 tariff law in phases, but it has not decided their timing or details. Implementation thus far has been inconsistent and variable. The Kurdistan Regional Government (KRG) applies the new tariff regime as well.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler’s checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4 in 2013
Number of CTRs received and time frame: 1,320 in 2011
STR covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler’s checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2012
Convictions: 3 in 2012

RECORDS EXCHANGE MECHANISM:

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

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Iraq’s ability to detect and prevent money laundering and other financial crimes is limited by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community and regional financial intelligence units.

Iraq’s Anti-Money Laundering Law, issued under Coalition Provisional Authority Order 93 in 2004, is the only AML statute in Iraq. The penalty under the 2004 law is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. Iraqi law treats money laundering as a subsidiary crime, requiring a more serious predicate crime to also have occurred before the government can prosecute money laundering offenses. Iraq has drafted AML legislation that was reviewed by Iraq’s Shura Council, but international experts have assessed the current draft law does not meet international standards. In particular, the law needs to do more to ensure the independence of

Iraq's Money Laundering Reporting Office (MLRO), Iraq's financial intelligence unit. In 2014, the government continued to review and amend the draft law, aiming to bring it in line with international standards. Once revisions to the draft are completed, the law will be submitted to the Council of Ministers for approval, followed by the Council of Representatives for passage. The government is unable to provide a timetable for the passage of the AML/CFT law.

In 2013, Iraq formed a high-level committee chaired by then acting Governor of the Central Bank of Iraq (CBI) Abdulbasit Turki to follow up on noted deficiencies; however, the committee made little progress. In September 2014, Ali al-Allaq replaced Turki as acting CBI Governor. Allaq is focused on anti-corruption efforts, which he promoted in his previous positions as Secretary General of the Council of Ministers and chairman of the Joint Anti-Corruption Council.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Iraq reportedly has one judge assigned to process all money laundering cases, and that judge does not exclusively focus on money laundering. In addition, the current lack of implementing legislation, weak compliance enforcement, and the need for more technical capacity at the CBI's MLRO all undermine Iraq's ability to counter terrorism financing and money laundering.

Although former acting CBI Governor Turki approved an independent budget for the MLRO, it does not yet have sufficient operational independence and autonomy. Overseen by the CBI's Banking & Supervision directorate, the MLRO lacks the requisite organizational structure, funding, staffing, and technology to effectively perform its function. The MLRO staff lacks adequate AML training and technology to receive, store, retrieve, and analyze data from the reporting institutions. In 2014, the MLRO transitioned from manual data processing to electronic reporting.

The MLRO is empowered to exchange information with other Iraqi and foreign government agencies, but rarely does so. Legal constraints on the MLRO's purview hinder its cooperation with the Ministry of the Interior's (MOI) Directorate for Economic Crimes, which is responsible for investigating financial crimes, including money laundering, bulk cash smuggling, and counterfeiting. The MLRO lacks the investigative authority of the MOI, but the MOI is unable to prosecute money laundering crimes without the MLRO's cooperation. Iraq should ensure the MLRO has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are limited, and enforcement is subject to political constraints. In practice, despite customer due diligence (CDD) requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely across Iraq's seven state-owned and 48 private Iraqi and foreign banks. Banks are required to file reports with the MLRO for transactions greater than \$10,000, a requirement with

which banks generally comply. In practice, very few STRs are filed. Due to a weak institutional culture and the lack of robust penalties for noncompliance, banks often are unmotivated to file reports and sometimes conduct internal investigations in lieu of reporting to the MLRO. Iraqi authorities should encourage increased reporting by financial institutions through more in-depth onsite supervision as well as an increase in the penalties levied for noncompliance.

Greater overall coordination between the Iraqi government and the KRG is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. KRG officials report they are abiding by Iraq's AML law, but there are no efforts to coordinate with the central government. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into southern Iraq.

Although Iraq is a party to the UN Convention for the Suppression of the Financing of Terrorism, there is no formal mechanism in place to implement UNSCR 1267 and no legal mechanism to implement UNSCR 1373. Iraq should take steps to establish appropriate mechanisms. Iraq also should develop political support to create and safeguard the MLRO's independence in order to bolster Iraq's AML/CFT capacities.

Ireland

Ireland continues to be a significant European financial hub, with a number of international banks and fund administration firms located in Dublin's International Financial Services Center. These institutions are monitored and regulated by the Central Bank of Ireland and are not considered to be a source of money laundering concern.

The primary sources of funds laundered in Ireland are cigarette smuggling, drug trafficking, diversion of subsidized fuel, domestic tax violations, prostitution, and welfare fraud. Irish authorities estimate that up to 80 percent of suspicious transaction reports (STRs) that can be linked to predicate crimes involve funds derived from domestic tax violations and social welfare fraud. While money laundering occurs via financial institutions, illicit funds also are laundered through schemes involving remittance companies, lawyers, accountants, used car dealerships, the purchase of high-value goods for cash, transferring funds from overseas through Irish credit institutions, filtering funds via complex company structures, and by basing foreign or domestic real property sales in Ireland.

Customs authorities have intercepted cash being smuggled out of Ireland, likely proceeds from drug trafficking. A number of cash seizures have occurred at Dublin International Airport. According to Irish authorities, the currency is intercepted on outbound passengers and is intended for the purchase of drugs and/or cigarettes for smuggling back to Ireland.

For additional information focusing on terrorist financing, please refer to the department of state's country reports on terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
Covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, money exchangers, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15,242 in 2013
Number of CTRs received and time frame: Not available
Covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, money exchangers, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2013
Convictions: 2 in 2013

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

In recent years, the Government of Ireland has focused its attention on strengthening its AML/CFT legislative framework.

Irish authorities should continue to work on money laundering enforcement. There are few money laundering prosecutions and convictions in comparison to the size of the Irish economy, number and type of predicate offenses, and the volume of financial intelligence reports filed.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high-technology companies and financial

institutions that locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Identity theft and internet abuse are growing segments of financial crime activity.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,539 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 61 in 2012
Convictions: 37 in 2012

RECORDS EXCHANGE MECHANISM:

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

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

The Isle of Man now formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). MONEYVAL has not yet evaluated the IOM.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM.

A new Money Laundering and Terrorist Financing Code came into effect on May 1, 2013. The main purpose of the new code is to integrate the Proceeds of Crime (Money Laundering) Code 2010 and the Prevention of Terrorist Financing Code 2011. A separate code went into effect covering online gaming on the same date. The Isle of Man has proposed a new Anti-Money Laundering and Countering Terrorist Financing Code, which is slated to be implemented in the first quarter of 2015.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include the IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM in 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel more a transit country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 47,856: January 1 - November 4, 2014
Number of CTRs received and time frame: 1,334,236: January 1 - November 4, 2014
STR covered entities: Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses, and the Postal Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 60: January - November 2014
Convictions: 21: January - November 2014

RECORDS EXCHANGE MECHANISM:

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

Israel is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses will be required to implement customer due diligence (CDD) requirements as of March 20, 2015. As of July 15, 2015, dealers in precious stones will be subject to CDD requirements and, as of July 15, 2016, to suspicious transaction reporting (STR)

requirements. Per an Order enacted by the Ministry of Justice on November 17, 2014, lawyers and accountants will be subject to CDD requirements as of September 2, 2015.

In fall 2014, the Government of Israel established an interagency group tasked with promoting advanced electronic means of payment as a means of reducing the overall supply of currency in circulation as part of an effort to combat both counterfeiting and money laundering activity. The team includes representatives from the Bank of Israel, the Prime Minister's Office, the Ministry of Finance, the Israel National Police, the Israel Tax Authority, the Israel Antitrust Authority, the National Cyber Bureau, the Israel Money Laundering and Terror Financing Prohibition Authority, and the National Information Security Authority. Following testimony from both public entities and the private sector, the team will report on its recommendations in June 2015.

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Mafia, operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, corruption, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. Italy's total black market is equal to 12.4 percent of GDP and worth \$250 billion. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest component of this black market is undeclared income, off-book transactions, or other tax evasion connected with otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore. Bulk cash smuggling has become less common, as the physical transfer of tangible currency is increasingly replaced by wire transfers, debit cards, cash transfer houses, and black market currency exchanges.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 37,632: January 1 – June 30, 2014

Number of CTRs received and time frame: 147,242,000: January 1 – June 30, 2014

STR covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 53: January 1 – October 31, 2013

Convictions: 29 in 2013

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

In June 2013, Italy published its action plan to address the issue of beneficial ownership and committed to take a number of actions in order to enhance the transparency of companies and trusts. The Ministry of Finance and Economy (MEF) issued guidance for financial institutions and designated non-financial businesses and professions (DNFBPs) on the identification of non-EU jurisdictions that have introduced requirements equivalent to those mandated in the EU. The MEF and Italy's financial intelligence unit, the Financial Information Unit (FIU), issued implementing provisions on how obligated entities should handle the termination of business relationships when the required customer due diligence (CDD) measures cannot be completed. The regulations ensure the money trail is not lost in these cases and that suspicious transactions are properly reported to the FIU.

The Bank of Italy (BOI) issued the Instructions on Customer Due Diligence measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. The instructions provide guidance for proper identification and verification of customers and their beneficial owner(s), and for the implementation of an appropriate risk management system. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs). The BOI also adopted the Instructions on the Electronic Data Base, requiring banks and other financial intermediaries to maintain data in order to register all business relationships and relevant transactions. Following a proposal by the FIU, the BOI issued indicators of anomalies for auditing firms and auditors who are responsible for statutory audits of entities of public interest, as defined by Article 16 of Legislative Degree 30 of 2010. They include, among others, banks, insurance companies, companies involved with asset management or issuance of financial instruments, electronic money institutions, financial intermediaries, management companies of regulated markets, and securities trading companies.

Although several actions taken in recent years endeavored to increase the number of suspicious transaction reports (STRs) filed by DNFBPs, these entities continue to file less than one percent of the STRs. Italy should continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers.

As in previous years, in 2014, the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. The Central Directorate for Anti-Drug Services, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police (INP), also plays a central role in these efforts. With regard to countering organized crime, the INP's internal *Servizio Centrale Operativo* (SCO) division has the law enforcement lead. The SCO,

with direction from the associated magistrates, focuses heavily on money laundering in terms of asset identification, seizure, and forfeiture.

Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and financial scams, and is largely controlled by organized criminal groups. Jamaica continues to experience a large number of financial crimes related to advance fee fraud (lottery scams) and cybercrime.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 193,829 in 2014

Number of CTRs received and time frame: 176,694 in 2014

STR covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; investment advisors; real estate dealers; casino and gaming machine operators; accountants; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 31 in 2014

Convictions: 3 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Parliament amended Jamaica's Proceeds of Crime Act to render illegal all cash transactions exceeding 1 million Jamaican dollars (approximately \$8,705). New regulations extending KYC and suspicious transaction reporting (STR) requirements to real estate dealers, casino and gaming machine operators, accountants, and lawyers became effective in 2014.

Jamaica's financial intelligence unit (FIU) became a member of the Egmont Group of FIUs in 2014.

Lengthy delays in processing judicial orders hinder the effectiveness of the Jamaican court system. The Government of Jamaica should establish a financial crimes court to streamline the prosecutorial process specifically related to prosecution of money laundering and other financial crimes, forfeiture of criminally-acquired assets under the Proceeds of Crime Act, and terrorist financing cases.

Japan

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japan's organized crime groups, Mexican drug trafficking organizations, and other domestic and international criminal elements. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

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

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 349,361 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 142 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Japan’s compliance with international standards specific to financial institutions was notably deficient until recently. On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation that address recognized deficiencies. The recent legislation criminalizes the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; and it enables the freezing of terrorist assets without delay, including non-financial holdings. In addition, financial and non-financial sectors will be required to implement processes and procedures to perform enhanced customer due diligence.

Japan’s number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low. These numbers are the most telling

measures of effectiveness of a country's AML/CFT regime. The National Police Agency (NPA) provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters.

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Jersey

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is constitutionally responsible for Jersey's defense and international representation, while the Island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector. Jersey can negotiate international agreements within the parameters of Letters of Entrustment provided by the UK Government, and enter into such agreements in its own name, albeit that the UK remains ultimately responsible in international law for such agreements.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar and its regulated trust and company service providers, which can be readily accessed by law enforcement and tax authorities. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,632 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

In lieu of a mutual evaluation, a report was prepared by the IMF's Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Under Jersey law, the Minister for External Relations (MER) has the power to give a direction to a relevant person to require that person to undertake enhanced customer due diligence (CDD) measures, provide information and documents, or limit or cease a business relationship if one or more of the following conditions are met in relation to a country or territory outside Jersey: the FATF advises there is a risk of money laundering or terrorism financing in a country or territory; the MER reasonably believes there is a risk of money laundering or terrorism financing in a country or territory, by the government of a country or territory, or by persons resident or incorporated in a country or territory, that poses a significant risk to Jersey; the MER believes the development or production of weapons in a country or territory, or anything that facilitates such development or production, poses a significant risk to Jersey.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead, in accordance with its laws, it is able to provide mutual legal assistance to any jurisdiction, including the United States. The United States and Jersey maintain a “special relationship” that includes a reporting regime based on the Foreign Account Tax Compliance Act (FATCA).

Under the Terrorist Asset Freezing (Jersey) Law 2011 a person designated by a European Council Regulation or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes. In addition, a person may be designated if the Jersey Minister for External Relations reasonably suspects that the person is, has been involved in, or is connected with terrorist activity.

More recently, the Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014 came into force on August 4, 2014. The Law brings all of the provisions relating to the laundering of criminal proceeds, including the restraint and confiscation of such proceeds, into one law (the Proceeds of Crime (Jersey) Law 1999); addresses noted technical deficiencies; and aligns specific provisions with requirements of the UN Convention against Transnational Organized Crime and the Council of Europe Convention 141 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, to allow for these conventions to be extended to Jersey.

The key rationale for creating one consolidated set of AML provisions is that, under the former provisions, the prosecuting authorities had to establish at any early stage whether the powers of Jersey’s drug trafficking, terrorism, or criminal proceeds law should be used during an investigation. In the early stages of an investigation, there may not have been sufficient evidence to establish which of these laws should be applied to the proceeds of criminal conduct, yet a decision had to be made as to which of the three laws’ powers would be exercised. In addition to these practical issues, previous money laundering offenses varied in scope and material elements across the three laws. The prosecuting authorities also believed the previous money laundering offenses were too numerous and specific. The decision was made to produce a single statute which addresses the requirements of the jurisdiction more effectively.

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

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey’s international affairs and, at Jersey’s request, may arrange for the UK’s ratification of any international instrument to be extended to Jersey. The UK’s ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK is in the process of extending the UN Convention against Transnational Organized Crime to Jersey.

Where reliance is placed by a covered entity on identification measures already performed by a third party on a prospective customer (in accordance with criteria established in legislation), Jersey requires that covered entity to obtain all necessary CDD information from the third party before the beginning of the business relationship with the customer. However, simplified identification measures (in accordance with criteria established in legislation) may be applied to a customer that is acting on behalf of one or more third parties. Jersey authorities should explicitly require that all covered entities obtain all necessary CDD information from the intermediary at the beginning of a relationship and should consider requiring covered entities to perform spot-testing of an intermediary's performance of CDD obligations. Jersey's authorities are consulting on a change to CDD requirements that would strengthen due diligence obligations for foundations.

Jordan

Although the Hashemite Kingdom of Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and proximity to Iraq, Syria, Saudi Arabia, Israel, and the West Bank make it susceptible to the smuggling of bulk cash, gold, fuel, narcotics, cigarettes, counterfeit goods, and other contraband. Incidents of reported money laundering are rare.

Smuggled goods remain a small but well-known part of daily transactions. Black market cigarettes are widely available, and there is little government effort to curb sales. Jordan Customs sometimes captures at the border drivers carrying cheaper gasoline from Saudi Arabia in false tanks. Smuggling endeavors tend to be small scale, and there is no discernible connection between black market goods and large scale crime, such as terrorism. Anecdotal reports also indicate Jordan's real estate sector has often been used to launder illicit funds.

There are six public free trade zones (FTZs) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are many designated private FTZs, a number of which are related to the aviation or chemical and mining industries. FTZ activities vary from industrial, agricultural, pharmaceutical, or vocational to multi-purpose. With the exception of ASEZ, all FTZs are regulated by the Jordan Free Zones Corporation Law and are monitored by the Ministry of Finance. The Aqaba Special Economic Zone Authority, a ministerial level authority, controls the port city of Aqaba.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 191: January 1 – November 18, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

Jordan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MER_Hashemite_Kingdom_of_Jordan.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Jordan’s financial intelligence unit (FIU), the Anti-Money Laundering and Counter-Terrorist Financing Unit, continues to develop its capacity to address money laundering and terrorism financing. Prosecution of money laundering cases takes place in public courts. In 2014, only one case was prosecuted for money laundering and it involved the formal financial sector. Successful prosecutions and convictions is one of the best indicators of the effectiveness of a country’s AML/CFT regime. Jordanian law enforcement and customs authorities should raise their capacity to identify money laundering at the street level and ports instead of relying on suspicious activity reports to initiate money laundering investigations. The FIU could then play a role in providing financial intelligence to buttress those investigations.

Kazakhstan

The Republic of Kazakhstan is an upper middle income country with a fairly developed financial system. Endemic corruption, an organized crime presence, and a large shadow economy make the country vulnerable to money laundering and terrorist finance. A significant part of Kazakhstan's mineral wealth is held in offshore accounts with little public scrutiny or accounting. The major sources of laundered proceeds are abuse of public office, tax evasion, and fraudulent financial activity, particularly transactions using shell companies. Smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen are relatively common practices.

Casinos and slot machine parlors are only located in selected areas. The Ministry of Culture and Sports regulates the gaming sector and issues licenses to gaming businesses. Seventy-one licenses were issued for gaming activities from 2007 to March 2014 (17 for casinos, 10 for slot machine parlors, 37 for betting offices, and 12 for sweepstakes). The vulnerabilities of these businesses to money laundering and government oversight capacity are not known. According to the legislative changes made in 2014, online casinos are banned. Some sources estimate the money turnover through the gaming business in Kazakhstan reaches \$1 billion per year.

Kazakhstan is a cash-based economy and U.S. dollars are a major method of moving funds. Outbound cross-border remittances have increased significantly over the past decade. According to the World Bank, outbound cross-border remittances from Kazakhstan were more than \$3 billion in 2010, ten times larger than the size of inbound remittances. The volume of cross-border remittance flows is expected to continue to increase. Informal channels, such as cross-border physical transportation of cash and hawala systems, are used by migrant workers who do not necessarily have the identification documentation required by financial institutions, as well as by individuals and businesses that wish to avoid payment of taxes and high remittance fees. It is not known whether the formal and informal remittance systems are used to launder money.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, insurance companies and brokers, pension funds, exchange offices, auditors, notaries, lawyers, gaming centers, professional participants in the securities market, microfinance organizations, accountants and accounting organizations, leasing

entities, pawnshops and dealers of precious metals and stones, and operators of e-money transmitting systems

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 520,882: January 1 – October 31, 2014

Number of CTRs received and time frame: 1,222,023: January 1 – October 31, 2014

STR covered entities: Banks and organizations that conduct banking transactions; stock exchanges; insurance and re-insurance companies and brokers; pension funds; professional participants in the securities market; central depositories; exchange offices and post operators that deal with fund transfers; lawyers and independent legal advisors; commodity stock exchanges; auditors; organizers of gaming businesses; microfinance organizations; accountants and accounting organizations; leasing entities; pawnshops and dealers of precious metals and stones; and operators of e-money transmitting systems

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 101: January 1 - October 31, 2014

Convictions: 1: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Kazakhstan is a member of the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With the assistance of international experts, Kazakhstan completed the National Risk Assessment Report at the beginning of 2014; however, it hasn't been formalized. A prolonged delay in the adoption of the National Risk Assessment Report could impede further work on addressing the findings of the report. Amendments to the AML/CFT law made in June 2014 introduce a risk-based approach to customer due diligence procedures that should be implemented by reporting entities.

Kazakhstan's AML/CFT 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. The Government of Kazakhstan should ensure due diligence and reporting requirements are applied to these entities. All reporting entities subject to the AML/CFT law are inspected by their respective regulatory agencies. Most of those agencies, however, lack the resources and expertise to inspect reporting entities in terms of AML/CFT compliance.

New legislation has established there will now be four agencies authorized to work on the investigation of money laundering crimes: the newly established Agency on Civil Service and Anti-Corruption; the State Revenue Committee of the Ministry of Finance; the Ministry of

Interior; and the Committee for National Security. This change should result in more money laundering investigations related to drug and other predicate offenses.

Changes to the Criminal Code in 2014 provide for the seizure of criminally obtained money or any property that belongs to a person convicted for miscellaneous predicate offenses as well as money and property transferred to any other party. In order to implement this clause, law enforcement must determine the origin of assets and trace the movements of illicit proceeds during an investigation. Bulk cash smuggling interdiction and K-9 capabilities are being added to the Kazakhstan Border Guards and Customs Service.

Additional changes made to the Criminal Code in 2014, that will come into effect January 1, 2018, envision the seizure of property of a value corresponding to that of the criminal proceeds. Also, the law allows for the seizure of indirect benefits derived from the investment of criminally-obtained assets. During the first 10 months of 2014, in 101 criminal cases, police seized \$912,380 from suspects accused of laundering approximately \$434,583 in illegal proceeds. Police also recovered \$49,461 in illegal proceeds from other money laundering cases during the same time frame.

According to the changes made to the AML/CFT law on June 10, 2014, all assets that had been used or were destined for terrorism financing crimes are subject to confiscation. In addition, all reporting entities must suspend all transactions, including bank operations, and property and securities transactions, tied to the entity or person that was included in the list of organizations or persons connected to terrorism or terrorist financing. The list of designated organizations or persons is issued by the financial intelligence unit. All asset freeze orders must have prior court approval. Kazakhstan lacks a mechanism to share with other countries assets seized through joint or trans-border operations.

The Government of Kazakhstan requires more resources to ensure the proper enforcement of its financial crimes regulations. It also should educate local institutions and personnel on further implementation of the AML/CFT law. Additionally, the Government of Kazakhstan should criminalize tipping off of persons suspected of violations of the AML/CFT law.

Kenya

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Money laundering and terrorism financing activity occur in both the formal and informal sectors, and derives from both domestic and foreign criminal activity. Such activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

Kenya's financial sector supports 43 licensed commercial banks, many with branches throughout East Africa; nine deposit-taking microfinance institutions in Kenya, with 69 branches; 91 licensed Forex Bureaus, with Nairobi hosting 75 bureaus and Mombasa nine; and one mortgage finance company. Kenya holds more than half of the total bank assets in the region, which has grown to \$52 billion in 2013, up from \$45.2 billion in 2012.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving, informal, and unregulated networks of hawaladars and other remittance systems that facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, and in particular the large ethnic Somali resident and refugee populations, primarily use hawaladars to send and receive remittances internationally. Diaspora remittances are growing annually, contributing significantly to the country's foreign exchange inflows. There are now nine licensed money remittance providers in Kenya, all located in Nairobi. Remittances in 2013 totaled \$1.3 billion and are already at \$1.1 billion through September 2014, with North America providing between 45-50 percent of all remittances, and with Europe and the "rest of the world" each providing approximately 25 percent.

The Communications Authority of Kenya (CAK) reports that Kenya's telecommunications sector enjoys 79.2 percent mobile phone penetration and supports 32.2 million mobile phone subscriptions. The CAK also reports there are 22.3 million internet users, raising the percentage of the population that has access to the internet to 54.8 percent. There are approximately 121,000 mobile-money agents in Kenya. Through August 2014, \$1.7 billion moved through Kenya's mobile-money systems.

Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in improving internal monitoring and collection procedures. There is a black market for smuggled and grey market goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods are often sold in Kenya. Trade goods often are used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an obvious and attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for al-Shabaab, a UN- and U.S.-designated group.

The FATF first included Kenya in its Public Statement in February 2010. In February 2014, the FATF removed Kenya from its Public Statement in recognition of the significant progress Kenya has made in addressing its strategic AML/CFT deficiencies.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

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

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 201: January - November 2014

Number of CTRs received and time frame: 2,825: January – November 2014

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

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2014

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=228

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions; however, the POCAMLA has never been used to prosecute financial crimes. The Central Bank of Kenya (CBK) licensed the first money remittance provider in November 2013, following its issuance of the Money Remittance Regulations, 2013, in April 2013. In addition, Kenya's National Payment System Act is now in force. This Act, which among other things provides regulation over mobile money, is another important component of Kenya's move toward financial integrity and security. Regulations attendant to the POCAMLA, Supplement No. 521 of 2013, require covered entities to file currency transaction reports (CTRs).

Of the 345 STRs submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 85 have been disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance.

All cell phone devices must be registered, and all mobile-money accounts also must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult, although data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of regulation/supervision of this sector, coupled with a lack of reporting from certain reporting entities, contribute to the risks posed by this sector. The CBK's strategy to increase financial integrity through increasing financial inclusion, and its associated regulatory interventions, has led to an increase in formal sector financial inclusion from 41 percent in 2006 to 67 percent in 2013.

To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, meaning that account holders are often tipped off about such investigations and so are able to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The government, and especially the police, must allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya also must address the bureaucratic impediments preventing it from pursuing investigation and prosecution of these crimes. Until 2013, Kenya had only 74 public prosecutors; however, the ODPP has greatly expanded and now has 605 prosecutors. The ODPP is organized into four broad thematic departments, with the Department of Economic International and Emerging Crimes (DEIEC) responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, piracy, and terrorism cases. In order to streamline proceedings and enhance professionalism as well as develop expertise in its prosecutions, the DEIEC is divided into various thematic divisions, with the AML/CFT division, formed on July 18, 2014, and headed by the Senior Assistant Director of Public Prosecutions, specifically dealing with money laundering and terrorism financing offenses. The AML/CFT division is

made up of 18 Prosecution Counsels from the Nairobi office, complemented by eight Prosecution Counsels from county offices. In 2014, nine money laundering cases were forwarded to the ODPP, four of which were closed and five of which are still pending.

The POCAMLA provides legal mechanisms to freeze, seize, and confiscate the proceeds of crime; however, this aspect of the law has not yet been used. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act. The Asset Recovery Agency, a semi-autonomous body based in the Attorney General's office, is now staffed and leading an interagency Asset Recovery Task Force.

The 2013 Westgate Mall attack, which resulted in the first cases being charged under Kenya's Prevention of Terrorism Act (POTA), demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors continuing to develop their expertise to investigate and charge high impact cases, including terrorism financing and money laundering offenses, and to pursue related asset recovery. Kenya passed the Finance Act of 2013, which includes amendments to the POTA, to include expanding the scope of Kenya's criminalization of terrorism financing. In November 2013, Kenya issued regulations to implement the POTA, and therefore, its obligations pursuant to UNSCRs 1267 and 1373. With this law, Kenya has taken significant steps toward improving its compliance with international standards.

Korea, Democratic People's Republic of

The Democratic People's Republic of Korea (DPRK or North Korea) has a history of involvement in currency counterfeiting, drug trafficking, and the laundering of related proceeds, as well as the use of deceptive financial practices in the international financial system. The DPRK regime continues to present a range of challenges for the international community through its pursuit of nuclear weapons, weapons trafficking and proliferation, and human rights abuses. As a result, the UN Security Council, the United States, the EU, and several other individual countries have established a variety of sanctions against the DPRK.

The DPRK's official currency is the North Korean won; however, in the country's widespread black market the U.S. dollar, Chinese RMB, and euro are the currencies of choice. Foreign currency enters North Korea in a number of ways including cross-border trade with China and visiting foreigners. Access to current information on the financial and other dealings of the DPRK is hampered by the extremely closed nature of its society. The economic practice of *juche*, a constitutionally enshrined ideology in North Korea characterized by the goals of independence and self-reliance, has contributed to minimizing transparency and international trade relations and discouraging foreign investment.

In October 2014, the FATF again stated its concerns about the DPRK's failure to address the significant deficiencies in its AML/CFT regime and reiterated the serious threat this poses to the integrity of the international financial system. The FATF reaffirmed its earlier call upon its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF called upon its members, and urged all jurisdictions, to apply effective countermeasures to protect their financial sectors from money laundering and

financing of terrorism risks emanating from the DPRK. The FATF likewise called on jurisdictions to protect against correspondent relationships used to bypass or evade countermeasures and risk mitigation practices, and to take into account risks when considering requests from DPRK financial institutions to open branches and subsidiaries in their jurisdictions.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Are legal persons covered: *criminally:* Not available *civilly:* Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* Not available *Domestic:* Not available

KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: NO

The DPRK is not a member of a FATF-style regional body (FSRB). In July 2014, the DPRK became an observer of the Asia/Pacific Group on Money Laundering (APG), a FSRB.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little available information on the DPRK's financial system. The DPRK has never undertaken a review of its AML/CFT regime based on international standards. Calls for the DPRK government to be involved in the mutual evaluation process have been unsuccessful. Since June 2014, the DPRK has engaged directly with the FATF and the APG regarding its

AML/CFT deficiencies. The DPRK has not yet demonstrated it is prepared to meet all requirements for full APG membership.

In 2006, the DPRK adopted the Law on the Prevention of Money Laundering, which states that the DPRK has a “consistent policy to prohibit money laundering,” but it is impossible to determine what standing this law has in the DPRK. The law is significantly deficient in most respects, and there is no evidence of an AML/CFT infrastructure in the DPRK capable of implementing the law. Lacking any type of sufficient AML/CFT regulatory authority, the DPRK cannot effectively supervise its financial institutions and enforce AML/CFT practices. Moreover, although the law mentions effective monitoring and supervisory mechanisms, including powers to sanction financial institutions and other businesses and professions that do not comply with AML/CFT requirements, there is neither explanation for how this is achieved nor evidence of any established framework to implement sanctions.

The DPRK is party to a number of international conventions; however, there is no evidence the DPRK has taken sufficient steps to properly implement provisions contained in the conventions. There also is no evidence of efforts to implement the UN resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly UNSCRs 1267 and 1373.

Korea, Republic of

The Republic of Korea (South Korea) has an advanced economy that is dominated by large industrial companies. It is not an offshore banking center. While organized crime does not have a large profile, it is linked to the Japanese yakuza; and there are reports that Korean criminals tried to connect with counterparts in the Chinese triads and Nigerian gangs. Most money laundering in South Korea is associated with domestic criminals, official corruption, and ethnic Koreans living abroad.

South Korean officials have uncovered numerous underground banking systems being used by South Korean nationals, North Korean defectors, and foreign national workers from China and Southeast Asian and Middle Eastern countries. Reports indicate North Korean defectors living in South Korea are sending more than \$10 million per year to family members in North Korea through illegal banking systems between South Korea and China.

Gambling is legal but highly regulated and limited to non-citizens. The country has eight free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax and tariff privileges, they are subject to the same general laws on financial transaction reporting as companies operating elsewhere in the country. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 245,600: January – July 2014
Number of CTRs received and time frame: 3,867,976: January – July 2014
STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

The Republic of Korea is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=b9d16e34-607e-4850-8c92-3a6cdfa70254>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Korea Financial Intelligence Unit (KoFIU) is the primary agency responsible for implementing actions to stop money laundering and to combat the financing of terrorism. Presently, the KoFIU is concentrating on corporate and political fraud, but has started to look at organized crimes, including narcotics-related money laundering. The Korean National Police Agency and the Korean banking sector have been very cooperative in joint money laundering investigations with U.S. law enforcement.

On May 28, 2014 the Government of the Republic of Korea announced a revised bill for the Prohibition of Financing for Offenses of Public Intimidation and Weapons of Mass Destruction Act, to comply with UNSCRs relating to weapons of mass destruction and to criminalize terrorist financing on the basis of the Terrorist Financing Convention. The term “financing for offenses of public intimidation” is used instead of “terrorist financing,” because there is no legal definition of terrorism in South Korea.

In 2013, South Korean prosecutors detained and charged a Korean American with the illegal transfer of approximately \$1 billion in restricted Iranian money frozen in South Korea pursuant to U.S. and international sanctions. The individual is suspected of making fraudulent transfers in 2011 from the Iranian central bank’s won-denominated account at a South Korean bank by using fake invoices for payment. Korean authorities have placed a travel restriction on the person in question and ordered him to pay 50 million won (approximately \$45,480) in penalties, which he has not paid to date. The Korean National Tax Service has another ongoing case against the person in question for tax evasion/fraud.

The Government of the Republic of Korea should expand its active participation in international AML/CFT efforts by becoming a party to the UN Convention against Transnational Organized Crime.

Kosovo

Kosovo is not considered a regional financial or offshore center. The country has porous borders that facilitate an active black market for smuggled consumer goods, especially fuel, cigarettes, and pirated products, largely along the Kosovo - Serbian border. Kosovo is a transit point for illicit drugs. Drugs from Afghanistan make their way through Turkey where they are often routed through the Drenica Valley in Kosovo, from where they are smuggled to Western Europe. Proceeds of drug trafficking do not fund the black market of smuggled and pirated items.

Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband, human trafficking, and various types of financial crimes. Official corruption is believed to be a significant problem, as are resource constraints. Kosovo has a large informal economy. Most of the proceeds from smuggling activity are believed to be laundered directly into the economy in areas such as construction and real estate, retail and commercial entities, banks, financial services, casinos, and trading companies.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler’s checks, money orders, e-money, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; high-value goods dealers; non-governmental organizations (NGOs); microfinance institutions; and construction companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 229: January 1 – November 1, 2014
Number of CTRs received and time frame: 1,647: January 1 – November 1, 2014
STR covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler’s checks, money orders, e-money, and payment cards; NGOs; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39: January 1 – November 1, 2014
Convictions: 0: January 1 – November 1, 2014

RECORDS EXCHANGE MECHANISM:

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

Kosovo is not a member of a FATF-style regional body

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2014, the Government of Kosovo adopted its five-year National Strategy and Action Plan for the Prevention of and Fight Against the Informal Economy, Money Laundering, Terrorist Financing, and Financial Crimes; subsequently, a national money laundering/terrorist financing risk assessment report was prepared. Kosovo law restricts all money laundering investigations in Kosovo to a relatively small unit in the prosecutor’s office which focuses mostly on organized crime and corruption; however, all prosecutors may pursue seizures and confiscations of instrumentalities and proceeds for all types of crimes. A National Coordinator for Economic Crime Enforcement was appointed in January 2014. This executive and his staff will monitor compliance with international AML/CFT standards and promote increased prosecutorial effectiveness. In May 2014, the Prime Minister signed a government decision authorizing large salary supplements for the National Coordinator and his staff.

In 2014, the Central Bank of Kosovo (CBK) finalized a draft AML/CFT regulation for the financial sector and approved an internal examination manual as an operational document for conducting AML/CFT examinations at banks and other CBK-supervised institutions. The FIU and CBK carried out 47 compliance inspections in 2014.

The Financial Intelligence Unit (FIU) maintains electronic communication with financial institutions and government agencies. The FIU has direct access to the Kosovo Business Registration Agency and the Department of Non-Governmental Organization Registration. The FIU has indirect access to Kosovo Police and Kosovo Customs databases. The FIU is taking steps to obtain access to other available databases and to integrate them into its analytical system. The FIU is able to exchange, domestically as well as internationally, all information accessible or obtainable directly or indirectly at its own initiative or upon request. It can disseminate financial information to domestic authorities for investigation when there are grounds for suspicion of ML or TF. Responses to requests for information from law enforcement continued to increase in 2014. The FIU receives feedback from the Kosovo Police with regard to transmitted cases. The AML/CFT Law allows the FIU, spontaneously or upon request, to share information with any foreign counterpart agency performing similar functions as long as those agencies are subject to similar obligations in terms of preservation of confidentiality. This sharing is subject to reciprocity.

Kosovo's lack of UN membership, stemming from political disagreements with Serbia, is a limiting factor to the country's participation in regional and international bodies, organizations, treaties, and conventions. The CBK became the only non-UN member to obtain a SWIFT code in 2013, greatly improving its ability to monitor international electronic transfers to domestic financial institutions.

The Government of Kosovo has made progress putting in place an AML/CFT regime. The government should now prioritize financial crimes enforcement and investigations to work toward successful prosecutions of money laundering. The Government of Kosovo should address border security and take steps to effectively combat organized crime and corruption.

Kuwait

Kuwait is not a regional financial center. As of March 31, 2014, the Central Bank of Kuwait reported total banking sector assets of \$190 billion. Currently, 22 banks operate in Kuwait: five commercial banks, five Islamic banks, the Kuwait Industrial Bank, and 11 branches of foreign banks, including the Industrial Commercial Bank of China, which established operations in Kuwait in 2014. Financial crimes, including money laundering, remain concerns. Illicit proceeds are primarily related to cases of fraud, smuggling (especially to/from Iraq), and corruption. Other proceeds-generating crimes are credit card fraud, piracy of goods, insider trading, and market manipulation. The authorities are unaware of the presence of serious organized or transnational crime.

Private financial support to terrorist groups, particularly by individuals who operate outside of government-approved charitable-giving mechanisms, also continues to be a major concern.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; legal and auditing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; legal and auditing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Kuwait is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_Kuwait.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Kuwait took steps in 2014 to implement bylaws to Law 106 of 2013, which governs the criminalization of terrorism financing – including a requirement to report suspected terrorism financing - and creates the legal basis to freeze terrorist assets without delay. In April, the

Cabinet issued Ministerial Resolutions 4 and 5, mandating the establishment of a ministerial-level counterterrorism committee (CTC) and stipulating the creation of mechanisms to implement UNSCRs 1267 and 1373, including the freezing of assets. The Ministry of Foreign Affairs subsequently created, and chairs, a CTC that consists of 11 governmental bodies and has met regularly to execute Kuwait's AML/CFT obligations under UNSCRs and domestic regulations.

Additionally, Kuwait established the Kuwait Financial Intelligence Unit (KFIU) in 2014. It named its first president in February and opened a temporary office and started to process limited types of suspicious transaction reports (STRs) in June. By November, the KFIU was running at full capacity and processing the full range of STRs. It is not publicly known if any have resulted in investigations or criminal proceedings.

In July, Kuwait re-established a working-level National Committee for Combating Money Laundering and Terrorist Financing. Chaired by the president of the KFIU, it consists of the 11 governmental bodies that are CTC members.

Despite progress, Kuwait has not stanching all illicit fundraising and financing. Though Kuwait regulates donations to, and spending by officially sanctioned charities, private illicit financing continues on social media and through other channels. Kuwait froze accounts and banned travel for the five Kuwaiti individuals added to the UN Al-Qaida Sanctions Committee list in 2014.

In order to help measure the effectiveness of its AML/CFT regime, the Government of Kuwait should compile and release the number of financial intelligence reports filed by mandated reporting entities as well as the number of money laundering prosecutions and convictions.

Kyrgyz Republic

The Kyrgyz Republic is not a regional financial center. In 2014, remittances from migrant workers abroad, much of which moves as hard currency, comprised nearly 29 percent of the GDP. A large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. Although no hard figures are available, it appears narcotics trafficking is the main source of criminal proceeds as the Kyrgyz Republic sits along a key northern transit route from Afghanistan to the Russian Federation, and Europe beyond. In addition, the smuggling of consumer goods, including fuel, tax and tariff evasion, and official corruption continue to serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk cash couriers, and informal and unregulated value transfer systems. Weak political will, resource constraints, inefficient financial systems, and corruption all serve to stifle efforts to effectively combat money laundering.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks and credit institutions; stock brokerages; foreign exchange offices; insurance companies; notaries, attorneys, regulators, tax consultants, and auditors; realtors; the state’s property agency; trustees; jewelry stores and dealers; and customs officers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance organizations and offices, credit organizations, and credit unions; insurance/re-insurance organizations; professional participants in equity markets, mortgage companies, retirement assets management companies; financial leasing companies; funds transfer providers; foreign exchange offices; pawnshops and buyer companies; commodity exchanges; gaming establishments, bookmakers, and persons organizing and conducting lotteries; private pension funds; real estate organizations and agents; dealers of precious metals and stones; trustees, trust companies, and financial agents; notaries or organization certifying documents or recording rights to immovable and movable property

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Kyrgyz Republic continued to address its strategic AML/CFT deficiencies and has made significant progress in recent years. Despite this progress, significant gaps still exist in enforcement and implementation.

The procedures for investigation and enforcement are still underdeveloped, and there are virtually no investigations and prosecutions of money laundering or terrorism financing. There have been no criminal convictions for money laundering. Both government and private institutions lack personnel, training, and capacity to enforce the law and its attendant regulations. The Financial Intelligence Service (FIS), the financial intelligence unit (FIU), is not recognized by other government entities as a legitimate investigative agency, resulting in a lack of cooperation and information sharing across agency lines. The FIS says it sends prosecutable cases, which the prosecution service refuses to pursue; the prosecutors say they receive scant information from the FIS and requests to prosecute without sufficient evidence. An attempt at reform of the Financial Police was ineffective because, although many new and promising investigators were hired, the government never drafted and/or followed any implementation plan, which resulted in no salaries for new employees for a year, by which time most had left and gone on to paying jobs elsewhere. It appears the lack of political will, resource constraints, and corruption are large hurdles to effective enforcement of AML/CFT. Oversight of the Kyrgyz banking sector is weak, and law enforcement agencies lack the expertise and resources to monitor and investigate financial irregularities.

The threshold for mandatory currency transaction reporting is 1,000,000 som (approximately \$16,700). The government should adjust the threshold to a level that is more appropriate for commercial transactions in the country. An additional challenge to effective enforcement and investigation is the lack of criminal sanctions for legal entities involved in money laundering or terrorism financing activity.

The Government of the Kyrgyz Republic should provide additional personnel, resources, training, and other capacity-building support to bodies authorized to investigate and prosecute money laundering, corruption, financial crimes, and terrorism finance.

Laos

Laos' booming economy, weak governance, and geographic position at the heart of mainland Southeast Asia combine to make it vulnerable to money laundering and terrorism finance. Domestic credit in Laos has grown by over 30 percent in each of the last six years, though showed signs of slowing in 2014. The financial sector in Laos is expanding rapidly and in spite of new legislation on money laundering, the sector remains under-regulated compared to other nations in the region, presenting an attractive target for money launderers. The gaming industry has little effective oversight and presents another money laundering opportunity. The combination of foreign investment, lending, growing government revenues, and development assistance from donors continued to increase the flow of funds into and out of the country in 2014.

Corruption permeates all levels of society and government. Drug trafficking is widespread, and human trafficking is a concern. Traffickers are likely taking advantage of the increased flow of funds to launder the proceeds of their crimes. Smuggling is widespread across porous borders. Bulk cash smuggling to Thailand, China, and Vietnam is likely occurring. Laos has a large underground economy and uses informal value transfer systems.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

Are legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

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

KYC covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, traveler's checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 35 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, traveler's checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Laos is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/laopeoplesdemocraticrepublic/documents/mutualevaluationoflaopeoplesdemocraticrepublic.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With donor assistance, the Bank of Laos (BOL) drafted new legislation to combat money laundering, which was pending approval by the president at year end. Analysts have noted some shortcomings in the final text of the legislation that will need to be addressed through implementing regulations. The BOL's Anti-Money Laundering Intelligence Unit (AMLIU), the financial intelligence unit, is scheduled to sign a Memorandum of Understanding on Intelligence Information Exchanges with the Economic Crimes Police Department. Although suspicious transaction reports (STRs) are rising (a total of 120 were filed from 2007 – 2014), there has still never been a comprehensive money laundering investigation leading to a prosecution in Laos.

The new legislation contains enforceable KYC provisions. Other than banks, most covered entities required to file STRs remain unsupervised. Additionally, although Lao law directs the gaming industry to report suspicious transactions, the AMLIU has yet to receive any reports. There is no protection against liability for individuals reporting suspicious activity, although tipping off of suspects would be criminalized in the new legislation. The pending legislation also includes enhanced due diligence for identifying high-risk persons, both Lao and foreign, to include politically exposed persons (PEPs) and others having a high-risk profile. The AMLIU and banks have the means to detect and refer money laundering cases to the Economic Police, but Government of Laos leadership lacks the capacity to follow through on investigations.

Terrorist financing will be criminalized in the new legislation. It is unknown if terrorist financing occurs in Laos; in any case, Laos lacks experience and capacity to investigate cases. The new draft legislation does provide for asset seizure, but only in cases of money laundering and not in cases of terrorist financing. Specific procedures for seizure are not delineated in the draft law.

The Government of Laos should work to implement an effective AML/CFT regime that adheres to international standards. Laos should finalize its pending legislation. The government should develop and implement safe harbor protection rules. The government should implement an asset forfeiture regime covering both terrorism financing and money laundering, which includes a system for accounting for forfeited assets and for ensuring they are disposed of in accordance with the law. Coordination among the BOL, Ministry of Finance, law enforcement entities, and the banking industry should be improved, with the goal of successful investigations, prosecutions, and convictions of money launderers.

Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by almost 15 percent, comprising 49.8 percent of total bank deposits. Non-resident cash continues to flow across the border from neighboring Russia and former Soviet states. Latvia's geographic location, large untaxed shadow economy (approximately 24 percent of the overall economy), and public corruption make it challenging to combat money laundering.

Officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution and fraud perpetrated by Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies monitor financial transactions to identify instances of terrorism financing.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the official financial system.

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

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any high-value goods merchant, intermediary, or service provider

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,299: January 1 - June 30, 2014
Number of CTRs received and time frame: 3,590: January 1 - June 30, 2014
STR covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and

management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any high-value goods merchant, intermediary, or service provider; and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10: January 1 - September 30, 2014

Convictions: 6: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Latvia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Latvia joined the Eurozone bloc. On August 13, 2014, the Latvian Parliament acted to enhance the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments are largely minor changes in legal definitions or procedural norms in order to ensure consistency and compliance with international standards.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The Financial and Capital Market Commission (FCMC) reports it is awaiting final approval of European Parliament regulations, providing that the rules on PEPs be extended to domestic PEPs, in order to pursue Latvian legislation in line with those regulations.

On May 31, 2013, at the request of the Bureau to Prevent and Combat Corruption Prevention (KNAB), the Prosecutor General's Office (PGO) brought criminal charges against former Riga City Council Housing and Environment Department Chief Arija Stabina for accepting bribes. KNAB arrested seven people, including Stabina and two other Riga City Council employees. KNAB has accused the Riga City Council officials of accepting bribes from residents in exchange for placement in municipal housing. Stabina was released on bail, but since June 2013, authorities have been unable to locate her. On July 22, 2013, the PGO issued a European Arrest Warrant for Stabina. On June 12, 2014, the PGO reported that Stabina's case has supported several other criminal cases, in which six people have been convicted of bribery, bribery support, and bribery appropriation.

During 2014, KNAB initiated additional high profile investigations against government officials. In April, KNAB started an investigation for bribery against the Riga City Council Cemetery

Administration Chief. On November 10, KNAB had enough evidence and requested the PGO to bring criminal charges against him. On November 12, KNAB passed to the PGO materials to bring criminal charges against seven people for bribery of state officials, misuse of authority for personal enrichment and fraud in the amount of 850,000 euros (\$1.06 million). Also on November 12, KNAB officers detained a Riga Regional Court (RRC) Civil Cases Panel judge after searching RRC offices. On November 14, the judge was declared a suspect in a criminal case. KNAB's investigation is ongoing; no criminal charges have been brought to date.

Latvian banks continue to invest substantially in their IT systems to develop programs for identifying suspicious activities, especially with regard to high-risk clients. The FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorism financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.3 billion annually over the last four years. Media reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered proceeds come primarily from cybercrime money laundering operations and from Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked more than 50 cases of hackers located in Lebanon or abroad and who transferred funds embezzled from local depositors (totaling approximately \$18 million) to bank accounts located outside Lebanon, namely in the UK, Hong Kong, Malaysia, China, and the Philippines. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, and pirated software, CDs, and DVDs. Nevertheless, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

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

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, but the Bank of Lebanon (Lebanon's central bank) has strong regulations in place to regulate exchange houses. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese

Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 148: January - October 2014
Number of CTRs received and time frame: 18: January - October 2014
STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9: January - October 2014
Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Three proposed laws intended to strengthen Lebanon's AML/CFT regime were passed by the Council of Ministers on March 14, 2012, and, as of the end of 2014, are still awaiting

Parliament's approval. These include amendments to the existing AML law (Law 318/2001); new legislation requiring the declaration of cross-border transportation of cash; and new legislation on the exchange of tax information, which would authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

In 2014, the Bank of Lebanon issued circulars to improve its AML/CFT regime. These include Intermediate Circular No. 371, dated September 11, 2014, amending Basic Circular No. 83, requiring banks to establish an AML/CFT Branch Officer in each branch of a bank as well as to set up two departments within an individual bank's compliance unit, one to oversee main headquarters and branches in Beirut, and the other to oversee the remaining branches across Lebanon; and Special Investigation Commission (SIC) Circular No.17 dated September 16, 2014, requesting banks to report suspicious transactions electronically to the SIC, Lebanon's financial intelligence unit, through "E-STR" in order to improve the quality of suspicious transaction reports (STRs). Despite no requirement to file currency transaction reports (CTRs) with the SIC 18 such reports were filed voluntarily.

The SIC sent 16 allegations to the Office of the Prosecutor General for prosecution between January and October 2014. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, prosecutions and convictions are still lacking. In addition, Lebanese authorities need to place greater emphasis on proactive targeting and not simply rely on STRs filed by financial institutions as a trigger to initiate investigations. This deficiency could be attributable to the absence of laws and a lack of political will to effectively prosecute cases, or a lack of resources and familiarity with AML/CFT standards. Customs must inform the SIC of suspected TBML or terrorist financing; however, high levels of corruption within Customs make this problematic. Existing safeguards do not address the laundering of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies. In 2014, the SIC froze the accounts of a business group and of its owners on suspicion of money laundering, with the investigation still on-going.

From January 1, 2014 to November 10, 2014, the ISF received 32 allegations of money laundering from Interpol and 14 requests from the SIC, and has arrested two persons and prepared files on 10 suspected cases of money laundering. The ISF is in the process of investigating each of these cases. The ISF Money Laundering Repression Office staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software to effectively track cases. Likewise, the ISF Cybercrime Unit also needs equipment and software to better monitor social media and detect cybercrimes. Additionally, law enforcement entities often do not coordinate activities. The government should encourage more efficient cooperation among financial investigators, including the development of joint task forces, and with other relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. There also should be greater cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce

cross-border currency reporting and take action to immobilize bearer shares. Law enforcement authorities should examine domestic ties with the international network of Lebanese brokers and traders. Lebanon also should consider amending its legislation to improve the ability of the government to cooperate with international forfeiture actions and also provide legal authority for the return of fraudulent proceeds. Lebanon's parliament should enact the three proposed laws designed to strengthen Lebanon's AML/CFT regime. Finally, Lebanon should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Lesotho

Lesotho is neither a regional nor an offshore financial center. Money laundering is related primarily to corruption and tax evasion. While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass daily between Lesotho and South Africa over the countries' extensive and porous land border. The smuggling is low level and largely committed by individuals. Smugglers commonly bring undeclared consumer goods or, occasionally, larger items like automobiles from South Africa into Lesotho. Smaller items are smuggled to avoid paperwork and other bureaucratic requirements, while larger items are smuggled to avoid paying import taxes at the borders.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January - October 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Lesotho is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=231

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Lesotho is steadily increasing its ability to monitor international financial transactions in Lesotho for AML/CFT purposes, limited resources, capacity, and expertise, as well as a lack of both awareness and training pose serious challenges to the adequate implementation of Lesotho's AML/CFT legislation.

AML guidelines published by the Financial Intelligence Unit (FIU) require reporting entities to submit suspicious transaction reports (STRs) to the FIU only, as opposed to both the Directorate of Corruption and Economic Offenses (DCEO) and the FIU, as provided for in the Money Laundering and Proceeds of Crime Act (MLPCA). The MLPCA reportedly is being revised. The DCEO continues to work toward operationalizing its AML unit. The FIU is continuing to raise awareness among banks and other professions about their obligations under the MLPCA.

Mobile Payments, or M-Payments, are becoming a possible vehicle to launder criminal proceeds in Africa and elsewhere in the world. In Lesotho, the Central Bank regulates newly-introduced mobile money systems Ecocash and M-pesa for AML/CFT compliance. They are mandated to follow KYC rules. All transactions are local and limited. Under Tier 1, under which individuals use a mobile phone self-registration, transactions are only allowed up to a maximum of 2,500 maloti (approximately \$223) per month. Under Tier 2, subscribers are required to present their passports and proof of their sources of income. The maximum transaction for Tier 2 customers is 7,500 maloti (approximately \$670). Under Tier 3, similar rules as Tier 2 apply, with a maximum transaction of 10,000 maloti (approximately \$893). The system also has unusual behavior triggers, which can lead to a STR being filed with the FIU.

Customs enforcement and other weak points at Lesotho's borders continue to be key areas of concern.

Liberia

Liberia is not a significant regional financial center. Its financial system has limited capacity to detect money laundering or terrorist financing, and financial controls remain weak. Its economy runs on a traditional cash-based system, with the Liberian and U.S. dollars being legal tender. There are nine commercial banks operating in Liberia, eight of which are foreign-owned. Approximately half of those banks provide money transfer services through Western Union and

Money Gram outlets. Some banks offer debit cards, automated teller machines, internet banking and other modern bank products and services.

Liberia has a significant market for smuggled goods, which are easily imported through its long, porous borders. There is little information available linking money laundering to the sale of narcotics. Unmonitored diamond and gold mining in border areas and opaque trading networks continue to be concerns. There are presently two casinos in the country; however, casino operators have no regulatory body overseeing their activities. The relative openness of Liberia's economy coupled with its craving for foreign investment make the country vulnerable to illegal business activities, including money laundering.

Liberia's main seaport, Freeport of Monrovia, operates as an International Ship and Port Security-certified security level one port. In 2014, the National Investment Commission, in collaboration with International Finance Corporation, finalized a draft Special Economic Zone (SEZ) bill intended to repeal and replace the Liberia Free Zone Authority Act. The draft SEZ bill is undergoing a stakeholder validation process after which it will be submitted to the Liberian legislature for ratification. If enacted, the SEZ Act would establish designated free zone areas intended to increase investment, strengthen economic competitiveness, create employment opportunities, catalyze private sector development, and improve domestic technologies and skills.

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

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

CRIMINALIZATION OF MONEY LAUNDERING:

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

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Central Bank of Liberia (CBL), commercial banks, and thrift and loan associations; brokers and dealers in securities and commodities; money exchange bureaus and check cashers; issuers of credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; and funds remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: CBL, commercial banks, and thrift and loan associations; brokers and dealers in securities and commodities; money exchange bureaus and check cashers; issuers of

credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; funds remitters; accountants, casinos, and real estate agencies; state institutions, ministries, state-owned enterprises, and quasi-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

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

With other governments/jurisdictions: YES

Liberia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.giaba.org/reports/mutual-evaluation/Liberia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There have been no arrests, prosecutions, or convictions for money laundering or terrorism financing in Liberia. Money laundering is difficult to detect and implementation of laws is hampered because of Liberia's cash-based economy, weak financial transparency and record keeping, political interference, corruption, weak capacity within law enforcement and the judiciary, and lack of adequate resources.

The CBL continues to enhance the technical and logistical capacities of its supervision division to carry out its risk-based supervision of the financial sector. It has developed an Enterprise Risk Management framework. In July 2013, the CBL issued AML/CFT regulations requiring financial institutions to enforce enhanced due diligence procedures for politically exposed persons (PEPs). The CBL continues to update its KYC and customer due diligence (CDD) guidelines; however, it lacks the technical capacity to strictly monitor or enforce compliance. There are anecdotal reports that some banks ignore the KYC/CDD principles.

In November 2013, the president appointed the CBL to chair the newly-constituted financial intelligence unit's (FIU) board of directors that will oversee the affairs of the agency. In March 2014, the FIU was officially designated as the central, national agency responsible for receiving, requesting, and analyzing information concerning suspected proceeds of crime and terrorist property; relevant cases are then forwarded to the competent authorities for investigation. Currently, the FIU is in the process of taking over the responsibility for receiving and analyzing suspicious transaction reports (STRs) from commercial banks. The FIU also is drafting regulations and guidance on issues of suspicious and cash transactions to prepare the institutional frameworks for its full operations. For internal control purposes, the FIU will require financial institutions and reporting entities to exercise adequate record keeping and maintain applicable procedures regarding KYC/CDD matters. The FIU has conducted a series of consultations and forums with reporting agencies, financial institutions, non-financial entities, professionals, and youth groups to create awareness and foster partnership on issues relating to money laundering, terrorist financing, and suspicious transactions.

The threshold for suspicious transactions or transfers is \$25,000 or more for individuals and \$40,000 or more for corporations. These thresholds are not in line with international standards, which generally call for the reporting of all suspicious transactions, including attempted transactions, regardless of the amount of the transaction.

In Liberia, any person, partnership, or company may obtain a license from the CBL to establish a foreign exchange bureau. The CBL has issued the Regulations for Licensing and Supervision of Foreign Exchange Bureau, but does not have an effective mechanism in place to regulate the activities of these foreign exchange bureaus for AML/CFT purposes. There are 71 registered, licensed foreign currency exchange bureaus, plus over 700 other registered entities that conduct foreign exchange. There are also numerous non-licensed foreign exchange sites and a large number of unregulated money changers in the country whose activities have raised concerns. The Association of Foreign Exchange Bureaus has appealed to the CBL to strictly enforce the bank's regulations for foreign exchange bureaus. Throughout Liberia, foreign currencies are exchanged without identification or verification of identity or business profile. This sector poses a high level of vulnerability to money laundering, terrorism financing, and suspicious transactions. The CBL continues to maintain permanent as well as temporary payment structures in areas where there are limited commercial banking activities to facilitate government's check encashment process.

Both the Liberia National Police and the National Security Agency investigate financial crimes. The Liberian Drug Enforcement Agency (DEA) also has the authority to investigate money laundering in relation to drug-related offenses. Money laundering as an offense has not featured prominently on police or DEA records over the years. Both lack relevant investigative capacity. Legislation to strengthen the anti-drug law and the DEA awaits the president's signature.

The Government of Liberia should establish procedures to monitor foreign exchange and remittance dealers, take steps to ensure the corporate debt securities market activity is adequately controlled and monitored, establish a mechanism for circulating the UN terrorist lists to financial institutions, enforce border and port security, enhance the relevant supervisory authority and resources of the CBL, review its thresholds for suspicious transactions, and move quickly to strengthen and empower the new FIU.

Libya

Libya is in the midst of a prolonged and contested democratic transition in the wake of the 2011 revolution. The interim Tobruk/Beyda-based government faces significant challenges establishing functioning security and governance institutions, which have been compounded by the outbreak of widespread violence since mid-2014. Libya's transition has fallen behind timelines established by a 2011 constitutional declaration that envisioned adoption of a new, to-be-drafted constitution and election of a permanent government. In addition to political conflict, armed militias, former revolutionaries, and tribes within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion. In August 2014, the UN Security Council passed Resolution 2174, which threatens targeted sanctions against individuals and entities who undermine Libya's stability. Sanctions remain in effect targeting specific Libyan

nationals and entities such as the Libyan Investment Authority (the country's sovereign wealth fund) and terrorist organizations such as Ansar al Sharia-Benghazi and Derna.

Libya remains heavily dependent on the hydrocarbons sector for government income – approximately 96 percent of the total revenues. Libya's oil and gas exports dropped significantly in 2014 due to civil unrest, widening the budget deficit. Markets remain primarily cash-based, and informal value transfer networks are present.

Libya's geographic location, porous borders, and limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for migrants from sub-Saharan Africa and Egypt, whose movement across borders is facilitated by bribery of border officials, weak Libyan government border management institutions, and the de facto management of border regions by locally-based tribal networks and forces. Corruption and the perception of corruption remain serious problems.

Libya is a source, destination, and transit point for smuggled goods, including Libyan government-subsidized items such as fuel and food as well as black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Contraband smuggling includes narcotics, particularly hashish/cannabis and heroin.

Libya has made limited progress in developing a private sector and reforming its commercial banking system. The commercial banking system holds approximately \$48 billion in assets, though banks are reluctant to make loans due to the lack of rules and regulations governing the lending process.

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

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:*** Not available

KYC covered entities: Banks and financial institutions licensed by the Libyan Central Bank

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and financial institutions licensed by the Libyan Central Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since the fall of the former regime in 2011, there is little information or reliable data on the scope of Libya's AML/CFT regime, including investigations, asset forfeiture, prosecutions, and convictions. Libya has a financial intelligence unit (FIU); however, it is ineffective and not in conformance with international standards. In general, Libya lacks the capacity and resources to conduct AML awareness training and to implement countermeasures.

It is illegal to transfer funds outside of Libya without the approval of the Central Bank of Libya (CBL). Cash courier operations are in violation of Libyan law. It is estimated up to 10 percent of foreign transfers are made through illegal means, i.e., not through the CBL. Prior to the revolution, between 1.5 and 2 million foreigners were thought to live and work in Libya. That number dropped dramatically during the revolution and, presently, only an estimated 200,000 migrant workers reside in Libya. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

Given the poor quality and limited reach of Libya's banking system and Libya's formerly socialist practices, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. According to CBL officials, the Bank is still evaluating ways in which it can encourage the informal economy to formalize business practices and use commercial financial institutions. Trade is often used to provide counter-valuation or a means of balancing the books between hawaladars.

Liechtenstein

The Principality of Liechtenstein is the richest country on earth on a per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of strict bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 120 fund/asset management companies, 367 trust companies, 22 insurance companies, 50

insurance intermediaries, and 403 other financial intermediaries. The three largest banks in Liechtenstein manage 85 percent of the country's \$125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection.

In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein has recently renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases. On October 29, 2014, Liechtenstein also signed the OECD Multilateral Competent Authority Agreement, which will activate automatic exchange of information based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

There are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 293 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 55 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Liechtenstein is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The 2013 reporting year saw a slight decline of STRs, down by 8 percent compared to 2012. Forty-five percent of the STRs were for suspected fraud, 15 percent for money laundering (a rise from last year), and 40 percent enumerated other offenses. In 2012, 62 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of \$28 million of assets were frozen in 2013.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there has been only one domestic money laundering conviction since 2007.

Lithuania

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion. There are no reports of public corruption contributing to money laundering or terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/s/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 268: January 1 - November 10, 2014
Number of CTRs received and time frame: 544,163: January 1 - November 10, 2014
STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 8 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Lithuania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Lithuania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The law amending the Law on Prevention of Money Laundering and Terrorist Financing was adopted on May 15, 2014. The most notable changes relate to the suspicious transaction reporting (STR) system, customer due diligence obligations, and record keeping. The Bank of

Lithuania and the Financial Crimes Investigation Service (FCIS), the financial intelligence unit, organized a meeting with financial institutions in order to discuss the implementation of the new requirements. Following the amendments, the FCIS prepared regulations adopting new procedures for more efficient and sophisticated data processing and analysis, and requiring electronic submission of information to the FCIS.

Luxembourg

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Luxembourg has been called a “magical fairyland” for well-known corporations that seek to drastically minimize their tax bills. Abusive transfer pricing or the manipulation of the international trading system within the same multinational group to take advantage of lower jurisdictional tax rates represents enormous tax loss in the producing country. Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In many cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a

regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,676: January 1 - November 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 230: January 1 - December 1, 2014

Convictions: 167: January 1 - December 1, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/luxembourg/documents/fur-luxembourg-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2014, Luxembourg continued to strengthen its AML/CFT framework. Accordingly, a range of legislative and implementation measures were taken by competent authorities in the AML/CFT area. The Law of 18 July 2014 *approving the Council of Europe Convention on Cybercrime of 23 November 2001 and its Protocol concerning the criminalization of acts of a*

racist and xenophobic nature committed through computer systems of 28 January 2003 implements both the Convention and its Protocol into national law. The law introduces new criminal offenses in the area of cybercrime in the Criminal Code. The law also introduces an extension of the money laundering offense to the area of cybercrime. The Law of 28 July 2014 *regarding the immobilization of bearer shares* provides for the mandatory immobilization of bearer shares. The law requires the mandatory immobilization of bearer shares with a covered entity. The obligations set forth in the Law of 28 July 2014 are subject to criminal sanctions.

In 2014, the Supervisory Authority of the Financial Sector, the CSSF, focused its efforts on further strengthening its AML/CFT supervision. The CSSF conducted 41 onsite AML/CFT inspections in 2014. The measures taken within the scope of its supervisory powers include administrative financial sanctions, injunction orders, and refusal/withdrawal of the “fit and properness” character of a licensed person. The CSSF also increased its cooperation and information exchange with the Office of the Public Prosecutor, the financial intelligence unit (FIU), and the criminal investigation police, as well as with the other supervisory authorities.

The Supervisory Authority of the Insurance Sector, the CAA, issued CAA Regulation no. 13/01 on December 23, 2013 *regarding the fight against AML/CFT*, which came into full effect in 2014. The regulation provides further clarification of AML/CFT requirements contained in the AML/CFT Law and the related Grand-Ducal Regulation, in particular with respect to the definition of the beneficial owner and ML/TF risk assessment. It also addresses preventive measures.

In 2014, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations, adopted several circular letters regulating its supervised entities, including accountants, economic advisers, real estate agents, and dealers in high-value goods. AIT teams conducted 48 AML/CFT onsite inspections of its supervised entities and improved its webpage to add more AML/CFT material. The AIT also took measures within the scope of its supervisory powers, such as administrative financial sanctions.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. The FIU continues to be involved in a project to promote cooperation among European FIUs regarding the cross-border exchange of STRs related to electronic commerce.

Macau

Macau, a Special Administrative Region (SAR) of the People’s Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau’s Monetary Authority.

With estimated gaming revenues just under \$45 billion for 2014, Macau is the world’s largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming

promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from Mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the Mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,376: January 1 - September 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - September 30, 2014

Convictions: 0: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=5>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau continues to make considerable efforts to develop an AML/CFT framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with 11 foreign counterpart FIUs.

Nevertheless, important deficiencies remain. Legislation that would strengthen Macau's customer due diligence requirements is pending, as is legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence for non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

Macedonia

Macedonia is not a regional financial center. While most financial transactions are done through the well regulated and supervised banking system, cash transactions of considerable amounts occasionally take place outside the banking system. Money laundering in Macedonia is most often linked to financial crimes such as tax evasion, smuggling, financial fraud, insurance fraud, and corruption. Macedonia is a transit country for trafficking in human beings from high migration areas to Western European countries. Domestic and international organized crime groups collaborate, particularly in the illicit trade in narcotics and psychotropic substances, smuggling of persons, smuggling of products, illegal trade in weapons and stolen luxury motor vehicles, and in credit card fraud. There is no evidence that traffickers of weapons or human beings have been involved in money laundering activities using banking or non-banking

financial institutions. Money transfers, structuring cash deposits, the purchase of real estate and goods, various trade-based money laundering techniques, and the use of legal entities from offshore countries are frequent money laundering techniques.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Anonymous bank accounts and bearer shares are not permitted. There is no evidence that alternative remittance systems exist in Macedonia; however, exchange offices and non-bank money transfer agents are not prudently supervised. The few free trade zones (FTZs) in Macedonia function as industrial zones. The production facilities enjoying the FTZ benefits are owned by foreign investors. The Government of Macedonia is trying to attract more foreign investment by leasing out several large FTZs throughout the country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate and real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos; and auto dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 117: January – October, 2014
Number of CTRs received and time frame: 69,817: January – October, 2014
STR covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos; and auto dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January - October, 2014

Convictions: 4: January - October, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On September 1, 2014, Parliament passed a new Law on Prevention of Money Laundering and Financing of Terrorism in an attempt to harmonize local legislation with international standards. The 2014 Law changed the title of the financial intelligence unit from the Office for Prevention of Money Laundering and Financing of Terrorism to the Financial Intelligence Office (FIO). Important amendments under the new law include strengthened customer due diligence measures and an improved definition of beneficial owners. More stringency was introduced in the identification of clients in casinos, and the threshold amount above which casinos must perform obligatory identification procedures was lowered from EUR 2,000 (approximately \$2,500) to EUR 500 (approximately \$560). The record-keeping requirements on transactions, identification data, account files, and business correspondence were cut from ten to five years. With the new law, all reporting entities must apply a risk-based approach.

In 2014, the FIO finished the implementation of a new IT system, enabling all reporting entities to send their STRs directly to a secured platform in real time. The FIO is in the process of implementing a new methodology which would enable it to conduct a national risk assessment of the entire AML/CFT regime. In the period January – November 2014, the FIO submitted to law enforcement authorities 20 reports related to suspected money laundering cases and 154 reports of other suspected crimes. Although active, the FIO maintains low visibility and is often overshadowed by the Financial Police and the regular police (Ministry of Interior). Its responsibilities continue to overlap in many areas with both of these institutions and with the Public Revenue Office and the Customs Administration. Nevertheless, cooperation among all these agencies is good.

The Council on Combating Money Laundering and Financing of Terrorism, consisting of representatives of investigative and prosecuting bodies and 14 reporting institutions, is also involved in the national risk assessment exercise. Based on full completion of this exercise, a new AML/CFT National Strategy is expected to be developed in 2015.

All banks have programs in place that comply with AML/CFT regulations. Savings houses continue to implement AML/CFT programs under the regulation and supervision of the Central

Bank. Three former savings houses, which in 2013 were transformed into financial companies, are being supervised by the Ministry of Finance. Other reporting entities supervised by the Public Revenue Office continue to be poorly monitored. The Public Revenue Office is focused mainly on investigating tax evasion. The transparency of wire-transfers has improved, but fully effective application of the legal provisions remains to be demonstrated. Exchange offices and non-bank money transfer agents, as well as all other reporting entities, need further improvements of their AML/CFT programs and practices.

In 2014, the government proposed to the Parliament a constitutional change that would allow creation of an international financial zone (IFZ) within the country's territory to provide financial services to foreign investors. The government stated that all AML/CFT international standards will be implemented in the IFZ, but provided few details regarding planned supervision of institutions in the zone. It added that separate legislation governing the IFZ will be drafted. International experts have raised concerns about the draft constitutional amendment, indicating the zone could become a haven for criminal proceeds.

AML/CFT reporting by lawyers, accountants, brokers, real estate agents, consultants, casinos, notaries, and other covered entities is slowly improving. The most recent changes in the legislation exclude NGOs and foundations from the list of covered reporting entities and add internet casinos to that list.

It is an improvement that the law now clearly provides for the confiscation of all forms of indirect proceeds, including transformed and co-mingled assets as well as income or other benefits from the proceeds of crime. However, effective implementation is hindered by an overly complicated confiscation regime that remains conviction-based. Macedonia has an agency for management of seized and forfeited assets, but the agency has limited capacity and is minimally active. Human resources and knowledge in the area of terrorism financing need further improvements.

The judicial system is perceived as politicized and at times inefficient. Rule of law is poorly respected, and selective enforcement of justice is an issue.

Macedonia should concentrate on reforms focused on increasing independence of the judiciary and more effective efforts against organized crime, corruption, terrorism, trafficking in human beings, money laundering, and narcotics smuggling. Macedonia should improve its supervision of the non-banking financial sector and provide necessary resources and training to ensure full implementation of laws. The authorities should continue working with covered entities to increase awareness of reporting requirements, and the FIO should engage with newly-added entities to make sure they understand their obligations. The government should provide appropriate resources and training regarding terrorist financing. Should the government continue with its announced plan, the IFZ should be closely monitored for potential money laundering and value transfer opportunities.

Madagascar

Madagascar is neither a regional financial center nor a major source country for drug trafficking; however, Madagascar's inadequately monitored 3,000 miles of coastline leave the country vulnerable to smuggling and associated money laundering. Criminal proceeds laundered in Madagascar derive mostly from domestic criminal activity, not generally related to the narcotics trade. The major sources of laundered proceeds in 2014 are tax evasion, tax appropriation, and customs fraud. Illegal mining and mineral resources smuggling, illegal logging, public corruption, and foreign currency smuggling are also areas of concern.

A 2009 coup d'état led to a deterioration of the rule of law, which facilitated trafficking of persons and a wide variety of goods. The current president was democratically elected in December 2013, and since then has publicly and privately proclaimed an emphasis on combatting corruption. Significant improvements have so far been elusive. The smuggling of gold, gemstones, and protected flora and fauna generates funds that are laundered through the financial system or through informal channels into which the government has limited reach. There is a significant black market for smuggled consumer goods. Trade-based money laundering occurs in Madagascar, involving both customs fraud and contraband. Media sources report that members of the former regime profited from, facilitated, and even directed criminal activity and money laundering.

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization to operate from the Financial and Banking Supervision Committee, which is affiliated with the Central Bank.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 109: January 1 - November 19, 2014
Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial intermediaries and advisors, money changers, casinos and gaming establishments, real estate dealers, postal services, insurance companies, mutual fund companies, and stockbrokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Madagascar is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On July 17, 2014, Law N° 2014-005 that criminalizes terror finance and transnational crime was promulgated by the President. Law N° 2014-005 provides the courts the ability to freeze assets without prior notice based upon credible suspicions of terrorist involvement, and extends a requirement for banks to record and report to the authorities transactions suspected to relate to the financing of terrorism. Additionally, the law allows the Malagasy Financial Intelligence Service (SAMIFIN), Madagascar's financial intelligence unit (FIU) to immediately block transactions from accounts suspected of association with terrorism. The penalty for those convicted of terror finance range from a sentence of five to twenty years of hard labor.

SAMIFIN is an independent institution. When SAMIFIN believes it has evidence of suspected money laundering, it is required to report the information to other authorities responsible for investigation and prosecution.

While the police sometimes investigate crimes related to money laundering and other financial crimes, they lack necessary training and expertise. Moreover, the judicial system does not have the sophistication, resources, or political will to successfully prosecute most money laundering offenses.

Underground finance and informal value transfer systems should be recognized and investigated. Madagascar should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should be trained to manage complex financial crime and money laundering cases. Madagascar should pursue membership in an FSRB.

Malawi

Malawi is not a regional financial center. The main source of illegal profits in Malawi derives from public corruption. Malawi is currently addressing a major corruption scandal popularly known as "Cashgate" centering on the looting of government accounts by public officials through fraudulent transactions in the government's computerized payments system. Another

significant source of illicit funds is the production and trade of cannabis sativa (Indian hemp), which is extensively cultivated in remote areas of the country. Anecdotal evidence indicates Malawi is a transshipment point for other forms of narcotics. Human trafficking, vehicle hijacking, and fraud are also areas of concern.

Smuggling and the laundering of funds are exacerbated by porous borders with Mozambique, Zambia, and Tanzania. There are indications of trade-based money laundering, mostly through over- and under-invoicing. There are also cases of goods smuggled across the border; it is believed contraband smuggling generates proceeds that could be laundered through the financial system. Some of the trade-based money laundering is reportedly linked to Pakistan and India. Money/value transfer systems, such as hawala, are a concern. Malawi has a cash-based economy and there are usually few paper trails to follow in financial investigations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, microfinance institutions, leasing and finance companies, lawyers, legal practitioners, notaries, casinos and other gaming entities, real estate agents, trust and company service providers, foreign exchange bureaus, accountants, auditors, dealers in precious metals and stones, safe custody services, buyers and sellers of gold bullion, stock brokers, and the stock exchange

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 77: January 1 - October 31, 2014
Number of CTRs received and time frame: 2,488,698: January 1 - October 31, 2014
STR covered entities: Banks, foreign exchange bureaus, microfinance institutions, money transmitting firms, discount houses, insurance companies, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, capital markets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014
Convictions: 3 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=165

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Malawi has enacted AML/CFT legislation and implementing regulations. The development of institutional capacity and mechanisms is still lacking.

Not all of the entities responsible for conducting customer due diligence are complying with the law. Only banks, foreign exchange bureaus, microfinance companies, insurance companies, and real estate agents have provided financial intelligence reports to the FIU. Authorities believe a deficient national identification system makes it difficult for financial institutions to require a standard form of identification. Due to a relatively low 1 million Malawi Kwacha (approximately \$2000) threshold for reporting transactions to the FIU, it becomes swamped with reports without adequate resources to analyze them. In its seven years of existence, a permanent FIU director has not been named.

In 2013 and 2014, the Anti-Corruption Bureau filed money laundering charges against suspects implicated in the “Cashgate” corruption scandal, resulting in Malawi’s first successful prosecutions and convictions for money laundering in October 2014. This experience has underscored, but also begun to result in Malawi rectifying, authorities’ lack of capacity and investigative and prosecutorial expertise. In light of this experience, an area of particular concern is the courts and judges’ understanding of the scope and application of the relevant laws and technical modalities of how money laundering can occur.

The Government of Malawi should work toward full implementation of its AML/CFT legislation. In 2013, the FIU drafted revisions to the Money Laundering Act that, if adopted, would empower the FIU to investigate and prosecute cases and ensure greater funding for its operations, but throughout 2014 the proposal remained with the Ministry of Justice for its review.

Malaysia

Malaysia is a regional financial center with a well-developed AML/CFT framework. Malaysia’s long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorism financing. Malaysia is primarily used as a transit country to transfer drugs originating from the southeastern Asian Golden Triangle to Europe. Drug trafficking is an important source of illegal proceeds in Malaysia. Ethnic Chinese, Iranian, and Nigerian drug trafficking organizations are the main sources of illegal proceeds.

Malaysian authorities also highlight illegal proceeds from corruption as a significant money laundering risk. Other common predicate offenses generating significant proceeds in Malaysia include fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion. Smuggling of goods subject to high tariffs is another major source of illicit funds. Customs' efforts to investigate invoice manipulation have identified trade-based money laundering risks.

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed to promote manufacturing industries producing goods primarily for export and are dominated by large international manufacturers attracted to the zones because they offer preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT 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 suspicious transaction reports (STRs).

Malaysia remains vulnerable to terrorist activity, including as a transit, meeting, and recruitment site. In 2014, Malaysian authorities arrested approximately 40 supporters of the Islamic State of Iraq and the Levant (ISIL). Terrorism financing in Malaysia is predominantly carried out using cash and relies on trusted, clandestine networks, although a small but growing number of "self-financed" terrorists have sought to raise funds through family, friends, and the internet to support their travel to fight with ISIL.

Casinos are licensed and regulated by the Ministry of Finance. The central bank, Bank Negara Malaysia, periodically assesses casinos' compliance with the AML/CFT regulations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22,781 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Malaysia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent APG mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=b1b0ea02-b04a-4b44-bb78-4d98fec54862>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Malaysia has undertaken a national risk assessment (NRA) to identify, assess, and understand key money laundering and terrorist financing threats facing the country. It is implementing new measures to mitigate the risks identified, including intensifying joint investigation efforts by law enforcement to effectively combat money laundering and terrorist financing; enhancing the structure of law enforcement authorities, including the formation of dedicated AML/CFT units within these authorities and increasing manpower focusing on money laundering and terrorist financing investigations; and strengthening Malaysia's AML/CFT framework through the amendment of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA), effective September 1, 2014.

Malaysia has also intensified its enforcement actions against financial institutions that fail to comply and implement AML/CFT programs. For 2013-2014, Bank Negara Malaysia reports it

has fined banks for failures to implement effective compliance programs. Under the new amendments to the AMLATFA, as of September 1, 2014 the maximum penalty for various offenses has increased. For example, maximum penalties under general offenses have been increased from RM 250,000 (approximately \$70,000) to RM 1 million (approximately \$280,000). More serious offenses can trigger maximum penalties of RM 3 million (approximately \$843,000), imprisonment of up to five years, or both.

In 2013, there were 1,793 charges against 33 individuals and companies under section 4(1) of the AMLATFA involving RM 8.3 billion (approximately \$2.3 billion) and 11 kg of gold.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia, should continue its efforts to encourage the use of formal remittances and to monitor for compliance with the Money Services Business Act. Additionally, law enforcement and customs authorities should examine trade-based money laundering, invoice manipulation, and the misuse of the international gold trade and their relationship to underground financial and informal remittance systems. Malaysia should move aggressively to identify, investigate, and prosecute drug trafficking kingpins.

Maldives

Maldives is comprised of a series of atolls in the Indian Ocean and is bisected by a number of international sea lanes. Authorities have expressed concern the islands are being used as a transit point for money laundering and illegal immigration to Europe. The country has a small financial market but is susceptible to money laundering and terrorist financing due to limited oversight capacity.

No official figures are available, but anecdotal evidence suggests illegal drug trafficking, a large black market for the purchase of dollars, and corruption produce significant amounts of illegal funds. Criminal proceeds reportedly come mainly from domestic sources. Drug trafficking is noted as one of the most frequent asset-generating crimes. Other offenses include human trafficking, piracy, and offenses committed by gangs. Even though the number of corruption cases is low, only a small percentage is prosecuted. Reports indicate the sums involved can be significant. There are indications funds raised in the country have been used to finance terrorism activities abroad.

Informal value transfer systems, such as hawala, are being used to transfer funds between the islands. The extent to which these systems are used to launder money is still unclear.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; money transfer services; stock exchange and securities dealers; insurance industry; investment funds, advisors, and companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7: January – November, 2014
Number of CTRs received and time frame: 365,348: January – October, 2014
STR covered entities: Banks; money transfer services; the stock exchange and securities dealers; insurance industry; investment funds, advisors, and companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Maldives is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/includes/handlers/get-document.ashx?d=48c4d504-09f3-4370-98c3-d7443718a21d>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Maldives passed the Prevention of Money Laundering and Financing of Terrorism Act (PMLFTA) in April 2014, and the law became operational on October 12, 2014. The government is currently drafting implementing regulations. The Maldives Financial Transactions Reporting Regulation, which requires financial institutions to submit a weekly report of financial transactions of Maldivian ruffiya 200,000 (approximately \$13,000) or more, or its equivalent in a foreign currency, will be repealed when the new PMFLTA implementing regulations are issued. The PMLFTA provides preventative measures to combat money laundering and terrorist financing and establishes the financial intelligence unit (FIU) as the central national agency to receive, analyze, and disseminate financial transaction information. The law includes asset forfeiture provisions with respect to money laundering and financing of terrorism. Under the PMLFTA, the government provides safe harbor provisions to all reporting entities, including financial institutions and designated non-financial businesses and professions.

Money laundering is criminalized only with respect to proceeds of offenses listed in the Drugs Act. Although all categories of offenses set out in the international standards have been criminalized, only drug-related offenses are considered predicate offenses for money laundering, constituting a major shortcoming of the current AML/CFT regime. In addition, terrorism financing is not criminalized as an autonomous offense. It is covered to a limited extent under the “aiding and abetting” clause of terrorism legislation.

Efforts to provide adequate supervision of the financial sector and enforce the new law are still in the initial stages. Authorities should take steps to ensure compliance and understanding of the new AML/CFT requirements. Since the new law, Maldives has re-organized the FIU, which is in charge of drafting the implementing regulations, including reporting requirements. The FIU has held meetings with law enforcement agencies including the Maldives Police Service, the Attorney General, the Prosecutor General, Customs, and the Anti-Corruption Commission to discuss enforcement. The FIU also conducted stakeholder consultations with banks to discuss the implementation of the new law.

Several key institutions suffer from inadequate resources, including the FIU, financial sector supervisors, prosecutorial and investigative authorities, and judicial authorities. The FIU is seeking data analysis assistance from international donors and regional partners.

On February 4, 2013, the Government of Maldives became a party to the UN Convention against Transnational Organized Crime.

The Government of Maldives should amend its legislation, as appropriate, to expand the list of money laundering predicate offenses and to criminalize terrorist financing in accordance with international standards. Authorities should take steps to ensure better compliance and understanding of AML/CFT requirements and should expand KYC and reporting requirements to include all types of financial institutions and designated non-financial businesses and professions noted in the international standards and active in the country.

Mali

Mali is not a regional financial center and has no free trade zones or offshore sectors. Illegal proceeds derive primarily from rampant trafficking of everyday commodities, people, small arms, and narcotics across the Algerian, Nigerien, and Mauritanian borders. Al-Qaida in the Islamic Maghreb and other al-Qaida-linked and armed groups, known to operate in the sparsely populated north, are involved in smuggling as well as kidnapping for ransom to generate funds. Mali’s economy is largely cash-based, making it difficult to detect illicit financial activity or track the proceeds of crime. Malian authorities believe the proceeds of cocaine trafficking in Europe may pass through Malian banks as they are returned to South America, but lack the resources to make a definitive determination.

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote d’Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU members share a common currency, the West African CFA, and have developed similar AML/CFT frameworks, including legal and financial intelligence unit (FIU) structures.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, the public treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14: January 1 - September 30, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Issuers of credit, guaranties, and lease/purchase agreements; banks; the public treasury; microfinance entities, the post office, and currency exchanges; insurance companies and brokers; securities and asset brokers and managers, and the regional stock exchange; mutual funds; attorneys, notaries, and auditors; real estate and travel agents; non-governmental organizations; casinos and gaming establishments; dealers of high-value goods and precious metals and stones; and security and money transport companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Mali is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Mali.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mali's AML law designates a number of reporting entities, very few comply with their legal obligations. Businesses are technically required to report cash transactions over

approximately \$10,000; however, most do not. The National Information Processing Unit (CENTIF), Mali's FIU, receives relatively few suspicious transaction reports (STRs) concerning possible cases of terrorist financing. With the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements.

CENTIF continues to develop closer relations with foreign FIUs. CENTIF enjoys a transparent and mutually beneficial relationship with liaison officers from the judiciary, customs service, police, and gendarmerie. Significant challenges to CENTIF's efficiency remain lack of training, especially for those investigators who handle terrorist financing cases, as well as a lack of funds to provide adequate publicity and comprehensive awareness training for bank and public sector employees outside of the capital, Bamako.

In May 2013, the National Assembly passed a law amending the Penal Code and the Penal Procedures Code and created a judicial unit focused on the fight against terrorism and trans-border crime. A prosecutor in charge of this "anti-terrorist" judicial unit was appointed in July 2014. In November 2014, the prosecutor formed an investigative team composed of judges and gendarmerie, rendering the court operational. The court has the authority to implement asset freezing provisions related to terrorism financing, including a mechanism to freeze assets administratively, prosecute foreign nationals extradited to Mali, intercept telephone conversations and email messages, carry out search warrants, and extend the period of time suspects can be held by law enforcement from three to six days.

Lack of border enforcement is a severe problem in Mali, particularly with regard to widespread smuggling and the infiltration of insurgent forces. Mali also lacks the capacity to conduct effective financial investigations of money laundering or terrorism financing. Mali lacks the ability to trace informal networks and money/value transfer systems, including hawala. There is doubt as to whether the state prosecutor's office understands complex financial crimes sufficiently to be able to pursue money laundering or terrorism financing crimes effectively and to successful prosecutions. Despite CENTIF referring multiple investigations to the specialized court in charge of economic and financial crimes for prosecution, it has proven difficult to secure convictions for money laundering or terrorism financing.

Malta

Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. The country's offshore banking sector is relatively large (eight times GDP), and it is the largest ship register in Europe. According to the Malta Police Force, the major sources of illegal proceeds are generated through drug trafficking (in particular cocaine, heroin, and cannabis resin), followed by economic crimes, namely fraud and misappropriation. The proceeds generated are not substantial and are primarily based on domestic offenses and eventual self-laundering. Money laundering investigations with the predicate offense of drug trafficking revolve around the suspect living beyond their means and converting the funds by purchasing commodities, such as expensive vehicles, real estate, and other luxury goods.

Foreigners who route their illicit gains from illegal activity in foreign jurisdictions to local Maltese bank accounts generate a significant volume of laundered funds. Such offenses usually

relate to investment scams and tax/value added tax fraud. These activities are usually detected through requests for assistance by a foreign jurisdiction.

Maltese authorities have not detected any organized criminal groups committing money laundering on behalf of others. Moreover, they have detected no terrorism financing activity. Contraband smuggling does not appear to be a significant source of illicit proceeds.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 172: January 1 - November 17, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January 1 - November 17, 2014
Convictions: 5: January 1 - November 17, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Malta is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style

regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Malta_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Malta has a comprehensive legal structure to combat money laundering, there are identified gaps concerning the material element for providing or collecting funds to finance terrorism, which could leave room for interpretation in respect to financing of “legitimate” activities. In order to address the statute’s broad language, the government presented a bill to amend the Financial Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) and the Criminal Code (Chapter 9). Bill 67 of 2014 will address these shortcomings and other matters raised in the report; the bill was presented to parliament on October 20, 2014.

In November 2013, Malta’s Financial Investigation Analysis Unit (FIAU), its financial intelligence unit, began a National Risk Assessment (NRA) exercise aimed at identifying, assessing, and understanding the ML/TF risks faced by the Maltese jurisdiction as a whole. The NRA working Group within the Maltese FIAU is finalizing the summary report of the exercise. The report will include the evaluation and identified risks, together with an action plan to address these risks. The Maltese government then needs to approve and adopt a strategy to implement the action plan identified by the NRA.

The FIAU is currently drafting proposed amendments to modify the current legislation regulating non-profit organizations in Malta. The government consulted with the FIAU to provide commentary on AML/CFT related issues, in a bid to further align Maltese legislation with the international standards.

Malta’s exposure to money laundering and terrorism financing has not changed significantly in recent years. Representatives of the financial sector emphasize the risks involved in foreign deposits and investment by politically exposed persons (PEPs) from Eastern Europe and North Africa and the possibility of their linkage to tax evasion or the diversion of funds. The authorities consider the terrorism financing risk to be low. The legislative base for preventing money laundering and terrorism financing is largely in place and in line with international standards. Financial institutions in Malta appear to be generally aware of their reporting obligations.

Marshall Islands

The Republic of the Marshall Islands (RMI) consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is economically underdeveloped and has limited resources for private sector development. The RMI signed a Compact of Free Association with the United States in 1986, and relies on the United States for the majority of its economic support. Although the Marshall Islands accounts for less than one percent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions, the RMI offshore corporate sector is vulnerable to money laundering.

Non-resident domestic corporations (NRDCs), the equivalent of international business companies, can be formed online subject to approval by the Registrar. Marketers of offshore services via the internet promote the Marshall Islands as a favored jurisdiction for establishing NRDCs and handle the incorporation process for applicants. A number of Marshall Islands NRDCs have gone public on exchanges in the U.S. and Europe. NRDCs are allowed to offer bearer shares. Corporate officers, directors, and shareholders may be of any nationality and live anywhere. NRDCs are not required to disclose the names of officers, directors, shareholders, or beneficial owners listed with the Registrar, and corporate entities may act as directors, officers, and shareholders. The Registrar does not release the number of NRDCs or other offshore corporate operations data. The corporate registry program does not allow the registering of offshore banks or insurance firms, online gaming institutions, or other companies which are financial in nature. All known parties to any corporate or maritime transaction are vetted by the Registry through a commercial database, which combines the UN, U.S., EU, and other national and international specially designated national lists. NRDCs must maintain a registered agent in the Marshall Islands, and corporations can transfer domicile into and out of the RMI with relative ease. In addition to NRDCs, the RMI offers resident partnerships, unincorporated associations, and limited liability companies through the Attorney General's office.

There are two banks in the country, the Bank of the Marshall Islands and a branch office of the Bank of Guam. There are no brokerage houses or other types of financial firms in the country. Land is almost never sold due to customary land tenure practices. There are no realtors, nor are there casinos or other entities typically used to launder money.

The Trust Company of the Marshall Islands, Inc., the Registrar for NRDCs, and the Office of the Maritime Administrator (collectively the Registry) administer a registration program of corporations and ships. The RMI shipping fleet is the third largest flagged fleet in the world, although few of the vessels frequent the Marshall Islands. The port of Majuro is visited mainly by tuna fishing boats, with a few cargo ships per month delivering food and fuel to the nation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and

interest rate instruments, futures, and options; businesses issuing, selling, or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 9: January – September, 2014

Number of CTRs received and time frame: 2,414: January – September, 2014

STR covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling, or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The Marshall Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Marshall+Islands>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Marshall Islands has filed two money laundering cases. Both were dismissed by the RMI High Court. There is a need for greater institutional capacity to successfully prosecute money laundering cases.

Under RMI law, both the Banking Act and the Counter-Terrorism Act provide for the freezing, seizing, and/or detaining of terrorist assets. This authority, vested primarily in the Attorney General, allows for the immediate detention of funds when the Attorney General has reasonable grounds to believe the funds are intended to be used in the commission of a serious offense, including the financing of terrorism. The Marshall Islands is negotiating a tax agreement with the United States and has signed tax treaties with 14 other jurisdictions.

The Government of the Republic of the Marshall Islands is working to ensure its offshore sector is adequately supervised, and information on company ownership and management is available to law enforcement and supervisory authorities. The RMI should tighten enforcement of tipping-off provisions, ensure designated non-financial businesses and professions are fully reporting, and ensure beneficial ownership is properly established.

Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government and the private sector. Only an estimated four percent of Mauritanian adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. In recent years, Mauritania has become a transshipment point for cocaine from South America intended for the European market. Smuggling, trafficking in vehicles, and the provision of logistical support for organized international drug traffickers are all serious problems. However, Mauritania has made tangible progress in securing its borders, and continues to conduct an aggressive campaign against terrorist networks, including al-Qaida in the Islamic Maghreb.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money changers, and money remitters; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5: January 1 - November 17, 2014

Number of CTRs received and time frame: 2 in 2014

STR covered entities: Banks, money exchanges, and remittance offices; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014

Convictions: 2 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

<http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportMauritaniaEng.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation, especially given Mauritania's cash-based and informal economy. All natural and legal persons are covered under Mauritania's AML/CFT laws and are subject to both criminal and civil penalties, depending upon the crime committed. The Office of the Inspector General of the State and the Financial Information Analysis Commission (CANIF), Mauritania's financial intelligence unit (FIU), are empowered to lead efforts to identify, prevent, and reduce corrupt practices and financial crimes, including financial crimes linked to narcotics and terrorism financing networks. The CANIF falls under the jurisdiction of the Central Bank of Mauritania. The FIU includes representatives of the Ministries of Finance, Justice, Defense, and Interior (customs authority, national police, and Gendarmerie) working together to counter financial crimes.

In 2014, Mauritanian magistrates, gendarme, and customs officials received training alongside the police on terrorism financing investigations, as well as other transnational crimes, including arms trafficking and money laundering.

Although all recommended entities are covered under the AML law, current regulations only require banks and formal money exchange and remittance offices to report suspicious transactions; however, few do. Moreover, monitoring informal financial markets remains a challenge in Mauritania. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system, including hawala, for illegal purposes. The Government of the Islamic Republic of Mauritania should take steps to expand reporting and KYC requirements to additional financial and non-financial entities, as well as take steps to enforce compliance with existing mandatory reporting requirements. Mauritanian law enforcement and the judiciary should investigate and prosecute money laundering and related crimes.

Mauritius

Mauritius has developed a reputation as a well-regulated financial jurisdiction. Based on investigations and prosecutions of money laundering cases carried out in Mauritius, laundered funds are primarily the proceeds from drug trafficking, mainly heroin and the prescription drug subutex (a brand name for buprenorphine, an opiate that is illegal in Mauritius and legally used to treat heroin dependence in other countries). Other important predicate crimes for money laundering include aggravated larceny, conspiracy, forgery, swindling, Ponzi schemes, and corruption. Based on recent police investigations reported in the media, money laundering occurs in the banking system, the offshore financial center, and the non-bank financial system.

Criminal proceeds are derived from both domestic and foreign criminal activities. There is no known black market for smuggled goods in Mauritius.

The Global Business Sector in Mauritius, an offshore financial center, is a major foreign investment route into the Asian sub-continent and, increasingly, into mainland Africa. As of the end of September 2014, there are 22,395 global business companies (GBCs) registered in Mauritius, including 930 licensed global funds. The offshore sector also includes management companies licensed by the Financial Service Commission to provide professional services to GBCs. Shell companies and bearer shares are not allowed in Mauritius, nor are nominee or anonymous directors or trustees.

The Mauritius Freeport, a free-trade zone (FTZ), was established to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. At the end of October 2014, there are 252 operators in the Freeport. For the period January – October 2014, Freeport turnover is estimated at \$1.1 billion.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 328: January 1 - November 15, 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: January 1 - November 5, 2014
Convictions: 14: January 1 - November 5, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=173

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Legislation to correct deficiencies and amend the Government of Mauritius' AML/CFT regime has been pending since 2006. Limited capacity and training of the judiciary and the Independent Commission against Corruption also compromise Mauritius' ability to successfully combat various forms of money laundering. Stronger support of judges to carry cases through successful prosecution is needed. Although international law enforcement coordination is possible via the 2003 Mutual Assistance in Criminal and Related Matters Act, sharing of information is a lengthy and uncertain process. Domestically, timely access to financial documents is also a problem.

While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so is subject to compliance with judicial proceedings. Under the 2012 Asset Recovery Act (ARA), the enforcement authority can make an urgent application to a judge to freeze terrorist assets without delay.

Under part 6 of the ARA, which deals with international cooperation, the Director of Public Prosecution is allowed to enter into an agreement with anyone outside Mauritius for any purpose under the Act. If, therefore, there exists an agreement between Mauritius and another country for asset sharing, this should be made possible in principle. Most importantly, the ARA does not prohibit asset sharing. Under the ARA, the Asset Recovery Unit of the Director of Public Prosecutions Office has thus far recovered property with a total value of \$298,000, part of which has been paid into the government's Consolidated Fund. Several successful applications were made to the court for the freezing of tainted assets under a process commonly known as a Restraining and Restriction Order. As of early November 2014, various properties are subject to a Restraining and/or Restriction Order, including money amounting to more than \$6 million, vehicles, apartments, bungalows, and tracts of land. An application for final orders to forfeit these assets will be made once the court adjudicates the criminal cases.

Mexico

Mexico is a major drug producing and transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce to conceal illicit transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and

the repatriation of the funds into the United States via couriers or armored vehicles remains a commonly employed money laundering technique. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations on trade-based methods, particularly after Mexico put restrictions on U.S. dollar deposits. For example, checks and wires from so-called “funnel accounts” are used by Mexico-based money “brokers” to acquire goods which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. The combination of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures.

In 2010, the Government of Mexico implemented regulations limiting the amount of U.S. cash accepted for deposit. These measures substantially reduced the amount of money repatriated back to the United States via the formal financial system. Subsequently, in June 2014, Mexico revised the U.S. dollar restrictions. The impact of the revision is to be determined.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations (NPOs), armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler’s checks services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 86,293: January 2014 - September 2014
Number of CTRs received and time frame: 5,000,000: January 2014 - September 2014
STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, NPOs, armored car transport companies,

armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 15 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Mexico is a member of both the FATF and the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, in an effort to boost economic growth, the Secretariat of Credit and Public Debt decided to revisit the 2010 regulation placing limits on the amount of U.S. dollar cash deposits that could be made into banks in border areas. The original intent of the 2010 regulation was to keep illicit cash proceeds smuggled from the U.S. out of the Mexican banking system. The regulations stated banks could not accept more than \$4,000 per month from individual account holders or more than \$14,000 from business entities operating in the U.S. border region or defined tourist areas. The 2014 modifications allow border- and tourist-area businesses to exceed the \$14,000 per month U.S. dollar cash deposit limit provided they have been operating for at least three years; provide additional information to financial institutions justifying the need to conduct transactions in U.S. currency; and provide three years of financial statements and tax returns. The limit on individual account holders remains unchanged. The additional information required, which can be shared with U.S. banks, could enhance the ability of the UIF, Mexico's financial intelligence unit, to monitor U.S. currency transactions as more U.S. dollars will enter the banking system instead of being diverted to less-regulated, non-bank financial institutions.

On March 5, 2014, the government enacted article 421 of the new National Code of Criminal Procedures that covers liability for legal persons. Mexico is converting from 32 codes to one federal code. Implementation of the new code is a large task and will be ongoing through 2016.

The October 2012 Federal Law on the Prevention and Identification of Illicit Financial Operations greatly expands the number of financial and designated non-financial entities required to submit reporting on financial transactions and apply KYC programs. The law also requires cash intensive businesses to apply restrictions to cash transactions and bans the use of cash for transactions over set amounts. The law is facing a barrage of legal challenges from businesses now confronted with additional legal and compliance obligations. The legal challenges, over 300 cases, may reach Mexico's Supreme Court, but the regulations and reporting requirements included within the law likely will be upheld, according to local experts.

In Mexico, the UIF, the National Banking and Securities Commission, and the Attorney General's Office are the main agencies involved in regulating and combating money laundering. In January 2014, the head of the UIF disseminated a resolution outlining its power to order reporting entities to freeze the assets of designated persons and entities, namely those involved in money laundering, terrorism, or terrorist financing. These rules establish the mechanism contemplated in the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds, passed in 2013.

In 2014, a major trade-based money laundering case involving the Los Angeles garment district once again demonstrated that Mexican-based drug cartels are using both legitimate businesses and front companies to provide value transfer via the export of goods to Mexico in a variation of the black market peso exchange. The fraud also saves the conspirators from paying taxes on the imports because they are exempt from customs duties under the North American Free Trade Act.

Corruption is the enabler of money laundering and its predicate offenses. Corruption is endemic at all levels of Mexican society and government. The Government of Mexico should combat corruption.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) has a small population of 100,000 people spread over a million square miles of the western Pacific Ocean. The FSM was part of the U.S. Trust Territory of the Pacific after World War II, and is now associated with the United States by the Amended Compact of Free Association. The FSM uses the dollar as its only currency and has only two commercial banks operating in the country, the domestically-owned Bank of FSM and branches of the Bank of Guam. While the FSM's lack of visibility and ease of moving dollars to and from the United States could potentially make it a back door for nefarious movements of currency, the small scale of its economy and regulatory oversight of the banks by U.S. regulators make the FSM historically a low risk for money laundering, terrorist financing, or smuggling.

Public corruption does exist in the area of public contracting and employment of unqualified companies or persons, but there are no accurate estimates of the proceeds derived from cronyism.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, cash dealers, insurers, bingo parlors, trustees, and money transaction services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Micronesia is an observer of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. It has not been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The financial intelligence unit (FIU) of the National Police receives suspicious transaction reports (STRs) from the banks through the Department of Justice (DOJ). The FIU consists of a single police officer, and relies entirely on the DOJ for funding and the National Police for staff. There have been no arrests, prosecutions, or convictions for money laundering since the FSM criminalized the offense in 2001. The FSM remains highly dependent on U.S. government resources when it encounters issues beyond its limited capacity. The government has not approved the funding to become a full member of the APG.

Only FSM citizens and resident foreigners with valid work permits are allowed to open accounts with the Bank of FSM. Most accounts are small, with only a small number of well-known local families holding accounts of over \$100,000. Large transactions and patterns of unusual behavior are easy to spot.

The FSM Banking Board checks that local banks conduct investigations of both international and domestic persons to identify politically exposed persons (PEPs). A recent incident was reported in which a suspicious withdrawal by a cabinet official was successfully blocked.

Money laundering statutes provide for the seizure of “tainted” property, as well as any benefits derived from the commission of a money laundering offense. Authorities have not seized or confiscated any property under this statute. There are no provisions for non-conviction-based forfeiture.

The FSM has yet to criminalize terrorist financing or the commission of terrorist acts.

Moldova

Moldova is not a regional financial center. The economy is largely cash-based and remains highly vulnerable to money laundering activities. The Government of Moldova monitors money flows throughout the country, but does not exercise control over the breakaway region of Transnistria. Transnistrian authorities do not adhere to Moldovan financial controls and maintain a banking system independent of, and not licensed by, the National Bank of Moldova. The breakaway region of Transnistria is highly susceptible to money laundering schemes. Due to the Moldova government's inability to enforce the laws on this territory Transnistrian banking and financial laws and regulations are not in compliance with any accepted international AML norms.

Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, fraud, and corruption. Money laundering occurs within the banking system and in exchange houses, along with offshore financial centers in Transnistria. Fifteen banks constitute the Moldovan financial system. Neither offshore banks nor shell companies are permitted to operate in Moldova; despite this ban, shell companies continue to be used to launder illicit proceeds. Internet gaming sites exist, although no statistics are available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos. Enforcement of the regulations is sporadic.

In 2014, money laundering became a significant issue of public discussion in Moldova. According to investigative press reports, \$18 billion (nearly 2.5 times Moldova's annual GDP) passed through the country's banking system in one day. This incident appears to point to Moldova being used as a conduit for transferring illicit funds from Russia to Western financial institutions.

Moldova contains six free trade zones (FTZs), some of which are infrequently used. Reportedly, goods from abroad are sometimes imported into the FTZ and then resold and exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the Center for Combating Economic Crime and Corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including Internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, and organizations which provide postal and telephone mandate exchange or value transfer services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 563, 697: January – November, 2014
Number of CTRs received and time frame: 885,133: January – November, 2014
STR covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including Internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, organizations that provide postal and telephone mandate exchange or value transfer services, electronic money issuers/institutions, payment companies, postal service providers who offer payment services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Moldova is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Moldova_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Moldova continues to make progress in instituting a legal framework for combating money laundering that is consistent with international standards. In 2014, the Moldovan Parliament passed a series of amendments to the Anti-Corruption Law. The amendments address the freezing of transactions suspected to be related to terrorism financing, including timeframes for court reviews and the actions reporting entities must undertake while freezing transactions. Also

in 2014, the Law on Payment Services and Electronic Currency amended the AML law to expand the list of entities subject to suspicious transaction reporting (STR) requirements.

During the period of January – November 2014, the Office for Prevention and Control of Money Laundering, Moldova’s financial intelligence unit (FIU), drafted 204 analytical reports regarding various identified criminal schemes, and Moldovan law enforcement initiated approximately 30 money laundering-related criminal investigations. Various law enforcement authorities are involved in AML/CFT investigations, but responsibility rests primarily with the National Anti-Corruption Center’s Criminal Investigation Directorate and the Anticorruption Prosecution’s AML Section. The level of knowledge related to the financial aspects of investigations and asset identification and tracing does not appear to be very comprehensive. There is also a lack of cooperation and coordination among the various law enforcement authorities that pursue financial crimes.

The use of shell companies in money laundering schemes continues, and it appears neither the current company registration rules nor corporate criminal liability have proved to be sufficient to entirely overcome this phenomenon. A lack of awareness by some of the reporting entities in the designated non-financial businesses and professions (DNFBP) sector is reflected in the continued minimal reporting from this sector.

In 2014, Moldovan authorities initiated a complex money laundering investigation into billions of dollars of illicit proceeds allegedly stemming from the laundering of funds from Sochi Winter Olympics construction contracts. The funds reportedly originated in Russia and passed through the Moldovan financial system with the apparent complicity of members of the Moldovan judiciary who gave court orders for loan guarantors to pay off a string of fictitious bad debts. Members of the judiciary are being investigated for corruption. According to Moldovan law, a necessary component of proving money laundering is showing that the proceeds subject to laundering have illegal origins. Moldovan prosecutors have requested assistance from Russian authorities but have yet to receive any response.

Moldova should continue to review and amend the criminal procedure code to institute non-conviction based confiscation and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorism financing. Additionally, Moldova should criminalize tipping off and take steps to raise the awareness of the DNFBP sector regarding AML/CFT reporting requirements.

Monaco

The Principality of Monaco is the second-smallest country in Europe but is considered a major banking center that closely guards the privacy of its clients. It has worked in recent years to comply with international requirements for greater openness and sharing of information. It is linked closely to France and to the economic apparatus of the EU through its customs union with France and its use of the euro as its official currency.

Monaco’s state budget is based primarily on value-added tax revenue, taxes on legal transactions, income from the real estate sector, and corporate income tax, which account for 78

percent of the total income; casino revenues constitute less than three percent of the state budget. Private banking and fund management dominate the financial sector. Monaco does not have a formal offshore sector, but approximately 60 percent of the banking sector's total assets and deposits are owned by foreigners. Monaco publishes information about its financial sector, but banking information is not published. Credible sources estimate the country's 35 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately \$1,033 trillion).

Money laundering charges relate mainly to offenses committed abroad. The Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit societies; the post office; money exchanges and remitters; portfolio and fund managers and securities brokers/dealers; insurance firms; financial advisors and intermediaries; casinos; real estate agents; dealers of high-value goods, antiques, art, and precious stones and metals; lawyers; notaries; trustees and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 613 in 2013

Number of CTRs received and time frame: 1 in 2013

STR covered entities: Banks; insurance companies; stockbrokers, corporate service providers, portfolio managers, and trustees; casinos; money remitters; real estate brokers; business, legal, or tax advisors; dealers in precious stones, precious materials, antiquities, fine art, and other valuable assets; lawyers; notaries; accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Monaco is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Monaco_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Monaco has signed 30 tax information-sharing agreements with foreign counterparts. The Government of Monaco should enhance the authority of SICCFIN, its financial intelligence unit (FIU), to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information does not relate specifically to drug trafficking, organized crime, or terrorist financing. Although there is a 2007 agreement between Monaco and the United States regarding sharing of confiscated proceeds of crime, Monaco should expand its asset sharing program to other international partners. Monaco also should move to enhance its ability to freeze terrorist assets and examine the threshold for reporting large cash transactions.

The Government of Monaco should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a regional financial center. There are few reported financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the growth in tourism, investment, and remittances from abroad; however, the overall rate of these crimes has not increased. The risk of domestic corruption remains significant as Mongolia's rapid economic growth continues. The Independent Agency Against Corruption (IAAC) is gaining traction as a watchdog.

Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods which appears largely tied to tax avoidance. There are no indications international narcotics traffickers exploit the banking system, and no instances of terrorism financing have been reported.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks; lending, factoring, and financial leasing institutions; issuers of guaranties and payment instruments; trusts; savings and credit cooperatives; insurance companies; securities dealers, remittance services, and foreign currency exchanges; pawnshops; and casinos (although casinos are currently prohibited in Mongolia)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 136: January – September, 2014
Number of CTRs received and time frame: 1,582,066: January – September, 2014
STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Mongolia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent evaluation may be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=ee2ef268-6106-40ec-806e-bec3987f9f88>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Mongolia has made progress in improving its AML/CFT regime.

Although authorities have opened financial crime cases, the lack of a single successful prosecution over the past few years illustrates deficiencies in enforcement. While highly professional, the financial intelligence unit appears understaffed, and coordination with other law enforcement organizations remains deficient.

Mongolia should continue to work to bring its existing AML regime more in line with international practice and standards. The Government of Mongolia should increase the training for those responsible for investigating and prosecuting money laundering cases.

Montenegro

Montenegro's geographic location and use of the euro make it an attractive target for money laundering. A number of factors inhibit the fight against money laundering, including corruption, insufficient capacity to conduct financial investigations, a weak collaboration among government agencies, and a judicial system susceptible to political influence. Montenegro continues to struggle to improve its ability to prevent and address money laundering, organized

crime, and corruption. Organized crime remains a serious concern in Montenegro and is linked to corruption. Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro. Police estimate that about 20 criminal gangs operate in Montenegro, engaging in drug smuggling, money laundering, and arms smuggling.

Montenegro is also a transit country for illegal goods. The country's ports have been used by criminals as a staging area to unload illicit cargo and reload it onto other vessels with onward shipping to Central and Western Europe. Criminal groups in Montenegro traffic in stolen cars, narcotics, cigarettes, and counterfeit products. Proceeds of narcotics trafficking, tax evasion or fraud, internet fraud, games of chance, and other illegal activities are often laundered through Montenegro's construction and real estate industries, and investments in the stock market.

The Montenegrin financial intelligence unit (FIU) has noticed cases of local companies receiving loans from their parent companies or offshore companies. The funds received via the loans are invested in the purchase of real estate or construction projects. In most cases, the loans are never repaid to the offshore lender. Criminal groups, primarily from Russia and Western European countries, invest significant amounts of money to purchase and construct real estate in Montenegro. The properties are often not registered to the true owner. Authorities suspect that some real estate dealers are complicit and help criminals integrate illicit funds into the economy. Police note that vendors who run construction companies often try to bribe government officials.

Often, criminals use phantom companies to present fictitious transfers of goods and services in order to legalize or re-direct invested money. Criminals also have deposited the proceeds of illicit transactions into offshore accounts and taken back the funds in the form of loans, which they never repay. According to Montenegrin authorities, most illegal proceeds come from Russia, Estonia, Switzerland, Cyprus, and the British Virgin Islands. In some cases, offshore companies send fictitious bills to a Montenegrin company (for market research, consulting, software, leasing, etc.) for the purpose of extracting money from the company's account in Montenegro so funds can be sent abroad, in a form of service-based laundering. Authorities also note that money laundering related to tax fraud is on the rise. The emergence of terrorist financing is a concern. Information technology, electronic transfers, credit cards, internet payments, cyber currencies, and other new payment methods make these threats more difficult to detect.

According to authorities, money laundering took place in the banking sector and, to a lesser extent, through Western Union. There were no cases of money laundering reported in informal remittance systems such as hawala. Authorities note that criminals prefer using electronic transfers instead of bank notes.

Public perception of corruption in Montenegro remains widespread. Factors that facilitate Montenegro's vulnerability to money laundering are the use of cash for many large commercial transactions, the absence of a non-conviction-based asset forfeiture law, weak financial crimes enforcement, and a lack of monetary controls over currency use in the country, which uses the euro but is not a Eurozone member country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 93: January 1 - November 1, 2014

Number of CTRs received and time frame: 42,037: January 1 - November 5, 2014

STR covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Montenegro is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Montenegro_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Relevant government bodies suffer from a lack of funding, administrative capacity, financial crimes expertise, and technology, all of which inhibit adequate implementation of existing legislation to combat money laundering and terrorism financing. As a result, cases of money laundering often remain undetected in Montenegro. The country's capacity to detect actions related to terrorism financing also remains limited, although the FIU did investigate several possible cases of terrorism financing.

Montenegro continued to implement its action plan for the Prevention and Suppression of Terrorism, Money Laundering, and Terrorism Financing 2010/2014. The government is working on drafting a new strategy to continue its efforts. In 2014, the Government of Montenegro adopted the new Law on the Prevention of Money Laundering and Terrorism Financing. The law reinforces the legal framework and the sanctioning system. The new law more precisely defines cases for establishing and checking an individual's identity and monitoring of business operations; circumstances when a covered person/entity may decline the business relationship with a client; and situations calling for expanded checks of the client's identity and business dealings, including politically exposed persons (PEPs). The new law also increases fines levied against covered persons and legal entities. It also expands the list of reporting entities to include those involved in construction work, marketing and consulting activities, tourist services, and the purchase and resale of secondary materials. However, the legal framework has shortcomings and effective implementation is still needed. In the area of organized crime, the legislation requires fine-tuning to better clarify the role of the judiciary and the police in the pre-trial phase. In 2014, a new law was also drafted on capital markets. Montenegro continued activities aimed at establishing a fully operational, nationwide risk assessment body aimed at addressing AML/CFT vulnerabilities. The risk assessment is expected to be completed in May 2015.

The number of suspicious transaction reports (STRs) filed by non-bank sectors remains low (only four cases reported during 2014). Relevant government bodies claim that outdated technology systems and insufficient administrative capacities hinder their work related to discovering financial crimes. In 2014, the FIU, the Administration for the Prevention of Money Laundering, charged four banks with misdemeanors for failing to file STRs. In the first 11 months of 2014, the FIU forwarded information to the competent authorities in 38 cases

(involving 26 Montenegrin and 40 foreign nationals). Montenegro's cash-based society makes for an unusually large number of CTRs for the size of the population. Montenegro needs a better system to identify questionable currency transactions, which are often hidden in the sheer volume of CTRs. Additional guidelines and training are needed for relevant organizations to raise awareness of their reporting obligations. The FIU functions as part of the Ministry of Finance. During 2014, the number of entities reporting to the FIU increased, while the number of inspectors remained constant. The FIU's current information technology system is outdated, and the FIU has a very high staff turnover; the FIU also has no enforcement authority.

The Government of Montenegro should improve interagency coordination and create an electronic data exchange among its financial supervisory authorities, and in particular among the FIU, police, and prosecutor's office. The existing memoranda of understanding between the FIU, Central Bank, State Prosecutor's Office, and Ministry of Internal Affairs are not always implemented effectively.

Although legal and institutional mechanisms to fight corruption have been strengthened, the public perception is that corruption remains pervasive, due to a lack of convictions in high profile cases. The fact that all high-level corruption cases have been uncovered by third parties is a matter of concern. In 2014, authorities pressed no charges against politicians or high state officials for money laundering. Prosecutors handling financial crimes have limited resources to investigate and prosecute, while judges remain susceptible to political influence. There is work on legislation to create a special prosecutor's office charged to investigate and prosecute cases of high-level corruption and organized crime as well as war crimes and terrorism.

A criminal conviction is required in order to freeze assets. While the law allows for the temporary seizure of criminally obtained money and/or property, the capacity of the Public Property Administration (PPA), which is responsible for the management of seized assets, is low and needs to be strengthened. Montenegrin authorities show a low capacity to process and complete the procedure for confiscation of illegally obtained property and assets. For example, as of 2013, out of \$60.8 million of confiscated property and assets, only \$108,000 (0.2 percent) of the assets are being managed and operated by the PPA. Montenegro has not yet established a central registry of state owned property, which should have been done by end of 2010. Montenegro is preparing to establish a separate agency that will be responsible for the confiscation of illegally obtained property and assets.

The Government of Montenegro must take steps to fully harmonize its laws with international standards. Additionally, further efforts are needed to improve information exchange among government stakeholders to ensure adequate implementation of AML/CFT rules and investigation of cases, and to enhance cooperation among the FIU, the supervisory bodies, and the sectors charged with enforcing legislation. There is also a need for increased public awareness of the problem of money laundering and its connection to narcotics and corruption. The government should take steps to improve financial crimes investigations and enhance the supervisory system for banks and all other designated obligors, in particular gaming houses, lotteries, and casinos. The government should increase the capacity of the police and the State Prosecutor's Office to carry out complex financial, money laundering, and terrorism financing investigations.

Montserrat

Montserrat has one of the smallest financial sectors of the UK's Caribbean Overseas Territories, with fewer than 5,000 residents on the island. Montserrat's operating budget is largely funded by the British government and administered through the Department for International Development (DFID).

There are few offenses committed in Montserrat that generate substantial illicit profits. The low number of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through financial institutions.

Montserrat's international business companies are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company with responsibility for undertaking know-your-customer procedures and monitoring AML compliance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 11 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, securities and financial instrument traders and dealers, money brokers, and money transmission services; financial leasing companies; company agents and management services, any partner of a partnership, and company secretaries; entities providing a business, accommodation, correspondence, or administrative address for a legal person or company; nominee shareholders; persons providing consumer credit, mortgage credit, factoring, and commercial financing; including forfeiting; issuers and managers of means of payment, including credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; participants in securities issues and the provision of

financial services related to such issues; financial, merger, and industrial strategy advisors and funds managers; providers of guarantees, commitments, and safekeeping; accountants, auditors, real estate agents, and independent legal professionals; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2014

Convictions: 2 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/montserrat-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montserrat's Financial Services Commission is not adequately structured and staffed to effectively carry out its functions. There are insufficient human resources, and the money laundering investigations staff also performs other policing functions. The lack of resources and personnel may reduce the effectiveness of current regulations. There should be additional training in AML/CFT for customs officials. Local authorities are taking steps to remedy the lack of human resources.

Although Montserrat has legislation calling for a declaration system for cross-border transportation of currency, in practice no declarations are required. Customs officials randomly ask incoming passengers at airports and ports whether they are carrying any currency or financial instruments that should be reported.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 UN Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime have not yet been extended to Montserrat.

Morocco

Morocco is well integrated into the international financial system but is not a regional financial center. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and the large level of remittances from Moroccans living abroad. Cash-based transactions in connection with Morocco's substantial trade in cannabis are of particular concern. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe.

Credible estimates of Morocco's informal financial sector place it at nearly 15 percent of GDP. Only three out of ten Moroccans are estimated to use banks. The predominant use of cash, informal value transfer systems, and remittances from abroad help fuel Morocco's informal financial sector. After a slight improvement in 2012, when remittances from Moroccans living abroad were approximately 7 percent of GDP, remittances fell 1.5 percent in 2013 and totaled \$6.625 billion. The euro area is still the main source of these transfers, but the share of remittances from Gulf countries continues to strengthen: from 11 percent in 2011 to 16 percent in 2013. In October 2013, the central bank announced a strategy to increase the banking services access rate to 75 percent, up from 60 percent at the end of 2013. Fostering Islamic finance is also expected to draw new segments of the population into the financial system.

Morocco has seven free trade zones (FTZs). Offshore banks are located only in the Tanger Free Zone, although they could operate in additional FTZs in the future. They are regulated by an interagency commission chaired by the Ministry of Finance. The FTZs also allow customs exemptions for goods manufactured in the zone for export abroad. Morocco's financial intelligence unit (FIU) reports suspicion of money laundering schemes using the Tanger Free Zone.

Criminal activities of particular risk include bulk cash smuggling and unverified reports of trade-based money laundering, including invoice fraud and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Evasion of foreign exchange controls is also believed to contribute to Morocco's money laundering problem. Unregulated money exchanges remain a problem in Morocco; the country's vast informal sector creates conditions for the continued use of these entities. The FIU has noted the use of fraudulent bank transfers and prepaid credit cards in money laundering schemes, as well as the difficulty in regulating the real estate sector, which is neither formalized nor transparent.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 213 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Morocco is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MENAFATF.5.07.E.P6.R1_02-01-08_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Morocco has made significant progress in recent years. On November 25, 2014, the Moroccan parliament approved a banking bill that paves the way for the development of Islamic finance in the Kingdom. In an effort to further regulate cash flow, Parliament adopted an amnesty law in 2014 that forgives previous illegal capital transfers abroad and imposes a tax of 5-10 percent on declared assets. Only around \$705 million has been declared and the government has extended the deadline. It is estimated that around \$12.83 billion was illegally transferred abroad between 2001 and 2010. Morocco is drafting a law with the support of international donors to implement policies related to tax infringements and the financing of weapons of mass destruction.

Operationally, both the human resource and logistical capacity of the Financial Information Processing Unit (UTRF), Morocco's FIU, have increased. UTRF has signed memoranda of understanding facilitating information exchange with regional FIUs.

Moroccan authorities should continue to develop regulatory oversight and investigative expertise that targets Morocco's large money and value transfer service sector, especially money remittance networks. Morocco also should work to address trade-based money laundering. The Government of Morocco should release statistics on the number of money laundering prosecutions and convictions, which are key benchmarks for measuring the effectiveness of the country's AML/CFT regime.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to narcotics trafficking and criminal kidnapping networks as well as customs fraud and government corruption. Most narcotics trafficked through

Mozambique are believed to be destined for South African or European markets, although consumption is on the rise in Mozambique. Local organized criminal groups control trafficking operations in the country and are believed to have links to South Asian nationals and immigrants. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital. While money laundering in the banking sector is cited as a serious problem, foreign currency exchange houses, cash couriers, and hawaladars play more significant roles in financial crimes and money laundering. For instance, much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses, and the number of exchange houses operating in Mozambique surpasses the number required to satisfy legitimate demand. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail sector in most parts of the country. There are no indications such activity is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 30: January – November, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report\(5\).pdf](http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report(5).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources and high levels of corruption hamper the Government of Mozambique's ability to fight money laundering and terrorism financing and to implement existing AML controls. Local institutions, including the police, customs, and judicial authorities, lack the funding, training, and personnel necessary to investigate money laundering activities and to enforce the law. Money or value transfer services and exchange houses are heavily regulated on paper, but in practice easily avoid reporting requirements.

Despite these impediments, Mozambique has made progress in strengthening its AML/CFT regime. Regulations that support and codify a 2013 AML law were officially published in October 2014. Together, the 2013 law and 2014 implementing regulations bring Mozambique's AML regime much closer to compliance with international standards. Both the law and the regulations address enhanced due diligence for politically exposed persons (PEPs) and the ability to freeze terrorist assets without delay. The 2013 law adds a safe harbor provision for those reporting suspicious activity and criminalizes tipping off. The new regulations mandate the filing of currency transaction reports (CTRs) for deposits of more than 500,000 meticaís (approximately \$14,700) and require companies filing CTRs to identify major shareholders.

The Mozambican Financial Intelligence Unit (FIU) is a candidate for membership in the Egmont Group of FIUs.

The Government of Mozambique should take steps to ensure its new law and regulations are fully implemented. Mozambique should take steps to pass a draft terrorism law that will address noted deficiencies; complete a National Risk Assessment to allow the government to better understand AML/CFT vulnerabilities; and establish more rigorous guidelines for the Bank of Mozambique's AML/CFT supervision of the financial institutions under its purview. Mozambique should expand the CTR requirement to cover all types of transactions. The government should continue to work with regional partners to enhance the effectiveness of its AML/CFT regime.

Namibia

Namibia is not a regional financial center, although it has one of the most highly developed financial systems in Africa. Both regional and domestic criminal activities give rise to proceeds that are laundered in Namibia. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles, mostly from South Africa, are regional problems that affect the level of money laundering in Namibia. Organized criminal groups involved in smuggling activities generally use Namibia as a transit

point, particularly for goods ultimately destined for Angola. Domestically, real estate as well as minerals and gems are suspected of being used as vehicles for money laundering. Namibian authorities believe the proceeds of criminal activities are laundered through Namibian financial institutions, but on a small scale.

The Namibian government has set up Export Processing Zones (EPZs). Companies with EPZ status can set up operations anywhere in Namibia. There are no restrictions on the industrial sector provided the exports are destined for markets outside the South Africa Customs Union region, earn foreign exchange, and employ Namibians. EPZ benefits include no corporate tax, no import duties on the importation of capital equipment or raw materials, and no value added tax, sales tax, or stamp or transfer duties on goods and services required for EPZ activities. There is at least one EPZ at the port of Walvis Bay. The Offshore Development Company (ODC) administers the EPZ regime. The ODC develops and leases multi-purpose industrial parks in four locations where companies can establish operations, including as EPZs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; casinos and gaming institutions; exchange houses, stock brokerages, and cash couriers; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 218: January – September 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; exchange houses, stock brokerages, and cash couriers; casinos; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Namibia has taken steps to implement its AML/CFT National Strategy. The Financial Intelligence Centre, Namibia's financial intelligence unit (FIU), has AML/CFT regulatory responsibilities. Namibia joined the Egmont Group of FIUs in 2014.

The Prevention and Combating of Terrorist and Proliferation Activities Act of 2014 (Act No. 4 of 2014) became law on June 25, 2014, repealing the Prevention and Combating of Terrorist Activities Act of 2012. The 2014 Act sets a penalty of life imprisonment for any person who directly or indirectly engages in or commits a terrorist act or engages in proliferation activities, and up to 30 years in jail and/or up to a N\$10 million (approximately \$858,000) fine for terrorist or proliferation financing activities. The 2014 Act contains provisions to freeze funds, assets, or economic resources based on UN Security Council designations. The 2014 Act does not include the broad exemption of the 2012 Act for acts committed during a struggle waged by peoples, in the exercise or furtherance of national liberation, self-determination, and independence against colonialism.

Namibia is preparing to set reporting requirements for cash transactions under Article 32 of the Financial Intelligence Act of 2012. The reporting threshold will be set at N\$100,000 (approximately \$8,600).

Namibia should continue implementing its legislation and ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial, and judicial entities. The informal banking and trading sectors need additional focus. The government also should continue efforts to better control its long and porous borders.

Nauru

Nauru is a small central Pacific island nation with a population of approximately 9,400. A member of the British Commonwealth, Nauru is an independent republic but uses Australian currency. Currently, the only financial institution offering financial services is Western Union, offering wire transfer services from its base in a hardware store in Aiwo District. The economy is entirely cash-based and reliant on formal and informal remittances. Nauru is a low crime jurisdiction. The very narrow economic base, the lack of financial institutions, and very strict

land tenure and associated restrictions on foreign investment discourage the introduction of criminal proceeds into the formal Nauru economy.

Nauru has a relatively small offshore company registry with 59 operating corporations. In the past ten years no new trust company licenses have been issued, although 15 unit trusts have been formed under the 11 existing licenses. The offshore companies and trusts represent a concern, although the very low rate of company and trust formation in the sector may indicate the risks are relatively low.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2014
Number of CTRs received and time frame: 0 in 2014
STR covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

<http://www.apgml.org/mutual-evaluations/page.aspx?p=b61008e6-465a-48c6-8927-69a6daaa0184>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Nauru's AML/CFT regime is broadly commensurate with the risks and threats facing the country. The Government of Nauru's financial intelligence unit meets regularly with Western Union and has provided the company with all reporting forms.

There is a need for additional controls in the offshore sector. The government should ensure the Nauru Agency Corporation, a state-owned incorporation agent, and Nauru Trustee Corporation, which registers trusts, focus their AML/CFT efforts on providing controls for the offshore sector.

AML legislation should be amended to include a greater number of predicate offenses and reduce restrictive conditions in relation to tax matters. Nauru should try to attract a banking institution to ensure a wider range of financial services are available to Nauruans, and that entity should be subject to AML/CFT controls.

Nepal

Nepal is not a regional financial center. Government corruption, a large, open border with weak border enforcement, limited financial sector regulations, and a large informal economy continue to make the country vulnerable to money laundering and terrorist financing. Nepal is not a significant producer of narcotic drugs; however, hashish, heroin, and domestically produced cannabis and opium are trafficked to and through Nepal. Relatively porous borders also are used to facilitate the trafficking of persons. Other major sources of illegally earned income include tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation. While government and banking industry officials report that most remittances flow through formal banking channels, a portion is believed to flow through informal channels. Officials have identified the use of under- and over-invoicing as a major money laundering challenge. Other problems are the illicit flow of bulk counterfeit currency and gold smuggling into India. An open border with India and inadequate security screening make it difficult to detect currency and gold flowing in and out of the country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, auditors, trust and company service providers, and precious metals and stone traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 400: July 16, 2013 – July 15, 2014
Number of CTRs received and time frame: 3,649,123: July 16, 2013 – July 15, 2014
STR covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, real estate brokers, auditors, and precious metals and stone traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 27: July 16, 2013 – July 15, 2014
Convictions: 14: July 16, 2013 – July 15, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Nepal is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc7f911-3767-4e6d-90b9-719209490358>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Under pressure from the international AML/CFT community, in 2014 Nepal enacted implementing regulations to address key AML/CFT deficiencies, including the seizing, freezing, and confiscation of terrorist assets in order to comply with UNSCR 1267 and 1373 and other provisions.

Nepal is taking steps to bring its legislation into compliance with international standards. However, a lack of resources and capacity continue to hamper efforts to combat money laundering. Nepal enacted the AML law in 2008 and Parliament ratified it in 2014. However, Nepal's financial intelligence unit (FIU) is still putting into place the required regulations and directives. In September 2014, the FIU implemented new AML/CFT software that enables the storage of data on suspicious financial transactions, but officials state it will not be fully functional until 2015. The FIU is currently working to analyze a backlog of several hundred suspicious transaction reports (STRs), which delay investigations. The FIU is pursuing a three-fold approach: increasing outreach to the banking community about AML/CFT regulations;

hiring more officials to check records for compliance; and increasing legal ramifications if problems are discovered.

Coordination among key government agencies is weak. The Nepal Police Central Investigation Bureau (CIB) and the Nepal Police Counterterrorism Directorate both have authority to investigate and arrest counterfeit currency operatives, narcotics traffickers, smugglers, and human traffickers, but have done little in the way of pursuing complex financial crimes. The CIB is seeking assistance from donors to build its investigative capacity. The Nepal Rastra Bank, the Central Bank of Nepal, coordinates with the Nepal Police and the Office of the Attorney General to enforce and prosecute offenders as necessary.

While the Government of Nepal has made progress in constructing an AML/CFT regime, additional work is required on developing expertise in financial crimes investigations, case management, interagency and departmental coordination, and border control.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although few border controls exist within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administrative companies, and electronic money institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 25,321 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies, and taxation offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/fur-netherlands-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML/CFT regime.

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears “unusual” (applying a broader standard than “suspicious”), or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a STR. There were 202,164 UTRs filed in 2013.

After consideration, the Netherlands has decided not to require all covered entities to report all transactions in currency above a fixed threshold but, instead, limits reporting to certain defined

transactions and sectors. Based on previous experience, and particularly a EUR 15,000 threshold for car dealers which prompted too many UTRs, it was decided to establish thresholds targeted to specific risks and products.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the National Police's 2013 reorganization, scheduled for completion in 2016, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. A newly established Anti-Money Laundering Center combines expertise from government agencies, such as the FIU, the National Police, and the Food Authority; knowledge institutions; private sector partners; and international organizations.

On November 18, 2014, Parliament passed legislation that raises the maximum penalty for certain financial-economic crimes. The law will raise the maximum prison sentence for money laundering from four to six years, and will broaden the scope of corruption to include bribery of financial service providers.

New Zealand

New Zealand is not a major regional or offshore financial center. Money laundering cases are infrequent in New Zealand. However, authorities note that it is difficult to estimate the extent of money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

Money laundering generally occurs through the financial system, but the purchase of real estate and other high-value assets as well as the use of foreign exchange dealers have become increasingly popular methods of laundering money. Narcotics proceeds (mostly from methamphetamine and cannabis sales) and fraud-associated activity (primarily Internet-banking fraud) are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. Local gangs represent a disproportionate number of homicides and drug offenses, and have been implicated in money laundering cases. New Zealand is a low threat environment for terrorist finance.

New Zealand has a small number of casinos, which operate gaming machines and a variety of table games.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combined approach

Legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and life insurance or other investment related insurance entities

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 10,353: July 1, 2013 – June 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping providers; asset and individual or collective portfolio managers; and life insurance or other investment related insurance entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

New Zealand is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/newzealand/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On July 2, 2014, the Companies and Limited Partnerships Amendment Bill received Royal Assent, in the process creating the Companies Amendment Act 2014 and the Limited Partnerships Amendment Act 2014. The legislation helps prevent the misuse of New Zealand companies (shell companies) and limited partnerships by overseas criminal organizations. As a result of the legislation all New Zealand registered companies and limited partnerships must have a director or general partner who lives in New Zealand or is a director of a company in a prescribed enforcement country; all directors must provide their place and date of birth; and all companies must supply their ultimate holding company details (if applicable).

On September 1, 2014, the Limited Partnerships Amendment Act took effect, putting into place the new general partner requirements. This person can be held responsible if a partnership fails to comply with its obligations. Further changes tightening the criteria for company registration will take effect when the Companies Amendment Act 2014 comes into force on May 1, 2015.

The Acts will enhance the powers of the Registrar of Companies to investigate non-compliance by companies and limited partnerships; introduce offenses for serious misconduct by directors that results in significant losses to the company or its creditors; and align the company reconstruction provisions in the Companies Act with the Takeovers Code. The offenses for serious misconduct by directors and provisions for company reconstruction came into force July 3, 2014. Other aspects of the Acts will come into force July 2, 2015, unless commenced earlier by Orders in Council.

In 2013, the financial intelligence unit (FIU) moved its operations to a new IT system as part of its ongoing programme to improve and further develop its role within the country's AML/CFT regime. On June 30, 2013, most financial institutions ceased to be reporting entities for the purposes of the Financial Transaction Reporting Act 1996, and became reporting entities for the purpose of the AML/CFT Act. The enhanced suspicious transaction reporting (STR) requirements in the AML/CFT Act have significantly increased the STR reporting requirements for financial institutions now subject to that Act. To ensure the effectiveness of the AML/CFT regime, the New Zealand FIU has engaged in ongoing outreach and training for reporting entities on the reporting requirements. FIU data reveal that STR reporting has increased significantly since the commencement of the current reporting regime. The value of transactions reported in STRs has increased from \$402 million in fiscal year 2012-2013 to \$2.77 billion in fiscal year 2013-14.

The United States has been designated as a "prescribed foreign country" in New Zealand's Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have a good record of cooperation and information sharing in this area. New Zealand regularly cooperates in international money laundering and terrorist financing initiatives and investigations.

Nicaragua

The Republic of Nicaragua is not considered a regional financial center. Nevertheless, the financial system is vulnerable to money laundering as the country continues to be a strategic narcotics transshipment route for South American cocaine destined for the United States and cash returning to South America. Nicaragua, with access to the Atlantic and Pacific Oceans, large inland lakes, porous border crossings, and a sparsely-populated and underdeveloped Caribbean Coastal region, is an ideal haven for transnational organized criminal groups, including human and drug trafficking organizations. Although Nicaragua faces domestic drug trafficking issues, money laundering proceeds are mostly controlled by international organized crime. The most noteworthy money laundering cases prosecuted in Nicaragua are primarily tied to foreign criminal activity. The high level of political corruption is also a significant concern.

Money laundering cases are primarily related to proceeds from illegal narcotics, mainly cocaine, but some subject matter experts believe there are indications of money laundering activities related to proceeds from smuggling. For example, Nicaragua's capital hosts the "*Mercado Oriental*," the largest open air market in Central America, which attracts business throughout the region. The majority of vendors in the market deal in cash and many of the goods are stolen.

Apart from this market, it is also suspected that money laundering occurs via traditional mechanisms, such as legal businesses.

Additionally, some evidence exists of informal “cash and carry” networks for delivering remittances from abroad that may be indicative of money laundering. Although there are no convictions for money laundering within informal sectors to date, some local businesses such as hardware stores, hotels, and clubs were seized from people accused of drug trafficking and money laundering. Subject matter experts also believe the black market for smuggled goods in Nicaragua is larger than officially recognized, indicating possible trade-based money laundering. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of citizens across respective borders without passing through immigration or customs inspection. Consequently, the agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

The National Free Trade Zone Commission, a government agency, regulates free trade zone (FTZ) activities. As of November 2014, a total of 143 companies operated in 37 designated FTZs. The Nicaraguan Customs Agency monitors all FTZ imports and exports.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges and remitters, credit card issuers, casinos, microfinance organizations, and pawn shops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 291: January – September 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, remittance businesses, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges, credit card issuers, casinos and arcades, microfinance organizations, pawn shops, postal and parcel operators, and businesses that operate with electronic money

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 53 in 2014

Convictions: 51 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Nicaragua was previously a member the Caribbean Financial Action Task Force (CFATF), but in December 2013 elected to participate solely in the Financial Action Task Force of Latin America (GAFILAT), with which its legal structure and language are more closely aligned. The most recent mutual evaluation of Nicaragua is no longer digitally available.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nicaragua has made progress in improving its AML/CFT regime in the last year. In late 2013 and 2014, Nicaragua passed several amendments and additions to Law 766 – the Special Law for the control and regulation of casinos and gambling halls. One notable change is that enforcement responsibility shifted from the Nicaraguan Tourism Institute to a newly created Casino and Gambling Hall Control Board within the Ministry of Finance. This specifically designated board coordinates with the Financial Analysis Unit (UAF), Nicaragua’s financial intelligence unit.

As of November 2014, the number of obligated reporting entities registered with the UAF is 173. Entities required to report to the UAF were also expanded to add postal and parcel operators and arcades. As of July 2013, all reporting entities must have an employee in charge of their AML/CFT programs. Between July 2013 and November 2014, the UAF implemented several enhancements for all reporting entities, including providing procedural manuals for supervision of AML/CFT programs and for safeguarding confidential information, standardizing reporting procedures for STRs and five year record-keeping obligations and enhancing customer due diligence measures. In November 2013, UAF developed a digital reporting system (SIREL) for submission of STRs for use by all reporting entities. Internally, UAF has increased capacity by training its staff and creating procedures for identifying and freezing terrorist assets.

Between January and September 2014, UAF referred 18 preliminary STR analyses for investigation, 16 to the Nicaraguan National Police and two to the Public Prosecutor’s office. Between June and November 2013, eight new money laundering cases were brought before Nicaraguan courts resulting in five guilty verdicts and four prison sentences. From these eight cases, 22 properties and six vehicles valued at \$2,775,992 were seized. Additionally, \$500,000 in assets was frozen.

In 2014, the government, with international donor assistance, provided institutional capacity building workshops and training focused on detecting and preventing terrorist financing and money laundering for public and private reporting entities, the UAF, police, and customs officials.

Although Nicaragua has enacted AML/CFT legislation to address noted deficiencies, the country is not in full compliance with international standards. The UAF has made strides in improving conditions and coordination to prevent AML/CFT. The Nicaraguan government has increased UAF's budget and staff, and the UAF has a continual improvement plan to reach full international compliance. In the meantime, UAF is allowing reporting entities time to adjust to new regulations and does not yet impose economic sanctions for non-compliance. UAF conducted 32 site visits of its 173 reporting entities during 2014 and the outcomes included warnings, recommendations, and reprimands. Despite UAF's many strides, an absence of penalties and this 18 percent inspection rate does little to ensure compliance. Other AML/CFT supervisory institutions, including the National Microfinance Commission and the Superintendent of Banks and Other Financial Institutions, also decline to impose sanctions.

Existing laws and amendments to criminalize money laundering and terrorist financing will continue to face enforcement challenges. Additionally, several loopholes continue to exist under Nicaraguan law. For example, identity falsification, counterfeiting, and piracy are illegal, but not considered as precedent crimes for money laundering. Without this classification, apprehended criminals using these means explicitly to launder money can be tried for lesser crimes, and are not strongly deterred from continuing laundering activities. Finally, as in previous years, Nicaragua should improve efforts to combat corruption and enhance judicial independence.

Niger

Niger is one of the poorest and least developed countries in the world. Niger is not a regional financial center; its banking sector is rudimentary. It is a member of the Central Bank of West African States (BCEAO), and so shares its central bank and currency, the CFA Franc, with other countries in the region. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal, cash-based financial sector; and informal remitters and other money and value transfer services are widespread.

With porous borders and a large, under-governed territory, Niger provides an ideal transit point for various criminal organizations and terrorist groups. Money laundering and financial crimes are commonplace in Niger. Illegal proceeds derive from trafficking of drugs, small arms, people, and everyday commodities across the Algerian and Mauritanian borders in the sparsely-populated north of the country. Since 2008, kidnappings for ransom have been used as a fundraising method for terrorist groups. More recent factors affecting security are the continuing rise in regional instability and terrorist activity, aided in part by the fall of the Qaddafi Government in Libya and the coup in western neighbor Mali. The continued threats to security posed by al Qaida, its affiliates, and Nigeria-based terror group Boko Haram are also significant.

After a 2010 military coup, Niger installed a democratically-elected government in April 2011. In October 2014, the National Assembly President, a leading opposition figure, fled Niger to avoid being arrested on criminal charges. Some members of the opposition feel these charges are politically motivated. As of November 2014, the political climate in Niger is contentious as elections are scheduled to take place in 2016.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of high-value items, fine arts, or precious stones; fund carriers; casinos; travel agencies; and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 37 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of high-value items, fine arts, or precious stones; fund carriers; casinos; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2014

Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Niger is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Niger.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In spite of its severe lack of resources, in the last few years Niger has made notable efforts to rectify the identified deficiencies in its AML/CFT regime and increase its capacity to implement that regime. Despite those efforts, the Government of Niger's AML/CFT laws are not in full compliance with international standards. Although addressed in the AML/CFT laws, customer due diligence procedures for designated non-financial businesses and professions (DNFBPs) have not been implemented.

The National Center for the Treatment of Financial Information (CENTIF), Niger's financial intelligence unit (FIU), submitted five reports to the Ministry of Justice for legal action in 2014. CENTIF works with other FIUs in the region to provide technical assistance and outreach to stakeholders. In addition, Nigerien authorities cooperate with law enforcement efforts, mutual legal assistance, and asset sharing groups within the region. The Government of Niger has an AML/CFT inter-ministerial committee.

The Government of Niger should continue to improve its AML/CFT regime in conjunction with regional partners and international donors. It also should ensure its laws are fully implemented, to include the enforcement of KYC and reporting requirements for all DNFBPs.

Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive largely from foreign drug trafficking and criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from the sale of illicit drugs.

Proceeds from illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, also constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. A recent FBI report estimates \$12.7 billion in losses to financial fraud in West Africa, much of which is attributed to Nigeria.

Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercrime in Nigeria is becoming more sophisticated. Nigerian cybercriminals have not traditionally employed sophisticated hacking/exploit techniques to conduct their crimes, rather, they have relied on social engineering. In recent years, however, there has been an increase in the use of sophisticated techniques, such

as e-mail hacking, intrusions, and the use of social media. There also have been a number of recent cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted distributed denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 722: January 1 – September 30, 2014
Number of CTRs received and time frame: 3,878,984: January 1 – September 30, 2014
STR covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 – September 30, 2014
Convictions: 0: January 1 – September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Nigeria.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Nigerian authorities continued to work to address strategic deficiencies in the country's AML/CFT regime. Notably, the Nigerian Financial Intelligence Agency (Establishment, etc.) Bill 2013, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, as opposed to a subsection of the Economic and Financial Crimes Commission, (EFCC), passed its second reading before the Nigerian Senate and went before the House of Representatives for consideration and harmonization of the different versions, with a goal of onward transmission to the president for assent.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities. However, the sheer volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Pervasive corruption, a lack of investigative capacity, inadequate legislative authority, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure; and, in accordance with international standards, should support the operational autonomy of its FIU. The government also should ensure the confidentiality of information the FIU collects or acquires. Additionally, Nigeria should strengthen its supervision of designated non-financial businesses and professions, work to thwart corruption at all levels of government, and make every effort to ensure the agencies that pursue money laundering-related and asset recovery cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases. Moreover, Nigeria should ensure it implements effective legislation to ensure the efficient recovery of criminal proceeds, especially in circumstances where an offender cannot be prosecuted by virtue of flight, immunity, or death. Particularly, the National Assembly should adopt a non-conviction-based asset forfeiture bill.

More generally, Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinder the government's efforts to combat money laundering. This issue is

especially important with regard to CFT. The State Security Service (SSS), a.k.a. the Department of State Services (DSS), is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general questions as to the role of the SSS/DSS versus that of the EFFC in the investigation of terrorism financing.

Nigeria should adopt safe harbor provisions to protect STR reporting entities and their employees. It also should consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible.

Niue

Niue is not a regional financial center and has no free trade zones. Niue is a self-governing democracy, operating in free association with New Zealand. The Government of Niue relies heavily on New Zealand to assist with external and economic affairs. The country has experienced a significant decline in population, largely from the emigration of its population to New Zealand.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes.
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; safe deposit box services, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation, and management of companies; and legal persons and arrangements

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available

STR covered entities: Banks; safe deposit box services, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation, and management of companies; and legal persons and arrangements

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Niue>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Niue has tightened its legislation and formed a financial intelligence unit (FIU) to comply with international standards against money laundering and terrorist financing.

The Niue financial intelligence unit (FIU) exchanges financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU. The Niue Crown Law Office reports it has received a small number of cash transaction reports but it is not apparent that any suspicious transaction reports were filed in 2014.

Niue is not a member of the United Nations. It generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures). A Mutual Assistance in Criminal Matters (Amendment) Bill and a Terrorism Suppression and Transnational Crime (Amendment) Bill remain pending before Niue's Parliament.

Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes such as embezzlement, tax evasion, and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home. The main money laundering techniques used in Norway are cash deposits and withdrawals, the use of professional facilitators such as lawyers and

accountants, the buying and selling of high-value assets, and the use of cash couriers and money or value transfer services to move funds out of the country. Money and value transfer services pose risks in Norway due to the nature of the activity, combined with limited supervision of the sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,891: January 1 - November 6, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Norway is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Norway-2014.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2014, the Government of Norway announced the establishment of a new “national contact forum” to improve coordination in the fight against money laundering and terror finance. The interagency group will develop a joint enforcement strategy and include representatives from the Ministries of Justice, Finance, and Foreign Affairs; the Police Directorate; the Financial Supervisory Authority; the Economic Crime Unit; the Police College; and the Police Security Service.

The Norwegian financial intelligence unit (FIU) is located within the National Authority for Investigation and Prosecution of Economic and Environmental Crime. The FIU continues to voice concern over the low number and poor quality of reports from certain entities covered by the reporting obligation. The total number of submitted suspicious transaction reports (STRs) fell from 2009 to 2013, but was up in 2014. Since the overall monetary transaction volume is high, the FIU suspects considerable underreporting. The implementation of the EU Payment Services Directive has resulted in a larger number of smaller agents being licensed to provide money transfer services, and these may be lacking in knowledge or experience about when and how to report. Significant variations in year-on-year reporting from the same entities, or differences between entities of similar size, indicate room for improvement. The FIU seeks to improve the quality of STR reporting through regular visits to covered entities and recently trained 23 out of 27 police districts on how to use financial intelligence.

Norway has a good legal foundation and sound institutional structure for investigating and prosecuting money laundering, and for seizing and confiscating criminal proceeds. However, investigation and prosecution of money laundering is not a high priority for law enforcement agencies, primarily due to the focus on the predicate offense, thus leading to few money laundering prosecutions and convictions.

By law, all currency exchanges and transfers of funds in and out of Norway must be reported to Customs’ currency registry. In addition to Norway’s large currency transaction reporting (CTR) requirement, a purpose declaration is required for currency transactions over NOK 100,000 (approximately \$15,500). Cross-border cash movements over NOK 25,000 (approximately \$3,850) must be declared.

The Government of Norway should develop and maintain statistics related to its AML/CFT regime, including the numbers of prosecutions and convictions and the volume of seized and forfeited assets. Such data is beneficial in both the analysis of the efficacy of Norway’s AML/CFT regime and the development of appropriate AML/CFT policies and programs.

Oman

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorism financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northern-most exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement may create conditions for money laundering/terrorism financing concerns. Trade is generally financed with small amounts of cash

and mostly comprises consumer goods. Oman is a regional transit point for narcotics from Afghanistan, Pakistan, Iran, and Tanzania, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally small and derived from smuggling or drug trafficking activities. Smugglers and drug traffickers are generally expatriates.

Corruption, primarily in the form of cronyism or insider operations, remains a concern. Since 2013, the government has been taking legal action against senior officials in the housing sector and senior executives of partially state-owned enterprises accused of corrupt practices in the oil and gas sector.

Port free zones and the informal sector are not utilized as havens for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Sultanate_of_Oman.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In response to corruption issues, the Government of Oman empowered the State Financial and Administrative Audit Institution (SFAAI) with greater investigatory power. Oman's 2013-14 crackdown on corruption led to several high-profile arrests in late 2013, and related convictions from January to March, 2014. Subsequent to convictions on charges of bribery, prominent businessmen and high-level government employees within the Ministry of Finance and the partially government-owned Petroleum Development of Oman were given heavy fines ranging from \$1.5 million to \$20 million and prison sentences ranging from one to 20 years.

On January 9, 2014, Oman officially became a signatory to the UN Convention against Corruption.

Oman's financial intelligence unit (FIU), located within the Royal Oman Police, does not have access to daily transaction flows via the Central Bank database and lacks sufficient cooperation mechanisms with other government financial or law enforcement entities involved in AML/CFT activities. The National Committee on Anti-Money Laundering is examining opportunities to increase information sharing and coordination among government agencies, including the FIU, the Central Bank of Oman, and the Royal Oman Police Customs Directorate. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases. The Omani government openly discusses its AML/CFT enforcement efforts, and is exploring additional legislation to strengthen KYC regulations. The Financial Investigations Unit in the Royal Oman Police is the entity responsible for enforcing AML/CFT laws and regulations, and law enforcement authorities generally respond to requests for assistance from foreign counterparts.

Oman has a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones; however, Omani authorities, from the FIU to law enforcement, have no central database. There are more than 70 databases and there is no capacity to share or transfer information.

To enhance their operational capabilities, the Omani authorities should hasten efforts to finalize steps aimed at empowering the FIU and law enforcement authorities. Oman should take action to improve analytical and investigatory capacity. The government should enhance and integrate its databases to ensure access by the relevant Omani authorities to pertinent information. The Government of Oman should require enhanced due diligence procedures for politically exposed persons, and strengthen cooperation and capacity between the FIU and the Royal Oman Police Customs Directorate to interdict illicit cross-border financial transactions and identify trade-

based value transfer schemes. The government should release statistics on the number of financial intelligence reports filed and money laundering prosecutions and convictions so as to better gauge the effectiveness of its AML/CFT regime.

Pakistan

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financial services.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders with Afghanistan, Iran, or China, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through November 2014, the Pakistani diaspora legitimately remitted approximately \$18 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan, and it is estimated that use of these operators accounts for over half of the total remittances. Unlicensed hawala/hundi operators are also common throughout the region and are widely used to transfer and launder illicit money. Some support the financing of terrorism.

On February 16, 2012, The FATF added Pakistan to its Public Statement, reflecting Pakistan's failure to address deficiencies related to its AML/CFT regime. In June 2014, the FATF determined that Pakistan had substantially addressed its action plan at a technical level. As a result, the FATF removed Pakistan from its Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing companies; modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Pakistan has taken steps to adequately criminalize money laundering and terrorist financing; establish procedures to identify, freeze, and confiscate terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit (FIU); establish the regulation of money service providers; and improve controls for cross-border cash transactions. In 2014, the government took further actions to improve the framework for its AML/CFT laws. The government enacted legislation to address deficiencies in its criminalization of terrorist financing and its procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing, and not focus on the predicate offense creating the laundered proceeds. Raising awareness of AML/CFT issues is critical to the judicial sector. Weak legislation and lack of implementation have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the

movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawaladars to operate without a license. However, few hawaladars have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address these deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically, by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan should also design and publicly release metrics that track progress in combating money laundering and terrorism financing, such as the number of financial intelligence reports received by its FIU and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should also address trade-based money laundering and value transfer, particularly as it forms the basis for counter-valuation between hawaladars. A crack down on massive trade and customs fraud, including within the framework of the Afghan Transit Trade, would also translate to needed revenue for the Government of Pakistan.

Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are illegal drugs and prostitution. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorism financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the designated free trade zone area, and the NFTZ directors continue to search for developers and investors.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks, credit unions, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit unions, money remitters, and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Palau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Palau>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention and Control Act does not include all predicate crimes prescribed in the international standards and currently lacks implementing regulations. Nor does it cover the designated non-financial businesses and professions (DNFBPs) operating in Palau. Significant deficiencies remain in the areas of customer due diligence, record keeping, monitoring of transactions, and supervision. The Financial Institutions Commission is the AML/CFT supervisor; however, it does not have the resources to issue any regulations nor to ensure compliance.

The Palau financial intelligence unit (FIU) lacks a dedicated budget and staff. The government continues to use a multi-agency suspicious transaction report (STR) review team to analyze the reports to help identify and initiate investigations. Although the multi-agency approach has enabled the FIU to function and has fostered information sharing and joint investigations among the relevant law enforcement agencies, it is not a long-term solution.

The Cash Courier Disclosure Act has been used successfully by Palau Customs and Security to make bulk cash currency seizures at the airport.

Palau's Counter-Terrorism Act does not adequately address provisional measures for seizing of evidence and property, and the freezing of capital and financial transactions related to the financing of terrorism.

The Government of Palau should remedy the shortfalls in the AML legislation and the supervision of DNFBPs. Palau should dedicate funds and permanent staff to the FIU. The FIU should release the annual numbers of financial intelligence reports filed. The government should extend its effective monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics, and other contraband. Palau should strengthen its ability to freeze and confiscate assets related to terrorism financing. The government should circulate the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau also should become a party to the 1988 UN Drug Convention and the UN Convention against Transnational Organized Crime.

Panama

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion, bank fraud, and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, utilizing free trade zones (FTZs), and exploiting the lack of regulatory monitoring in many sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 16 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 894 in 2013

Number of CTRs received and time frame: 714,105 in 2013

STR covered entities: Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, pawnshops, and FTZs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24 in 2013

Convictions: 11 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Panama is a member of the Financial Action Task Force of Latin America (GAFILAT). Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2014, in response to continued criticism, Panama developed an action plan to address its AML deficiencies, and the Government of Panama offered a high-level commitment to implement the necessary actions. The government is working with international donors to draft and pass legislation to criminalize money laundering, address CFT, and cover designated non-financial businesses and professions. A key factor contributing to Panama's vulnerability to money laundering is that not all financial and non-financial sectors are subjected to regulations and supervision.

Numerous assessments over the last five years by an array of different institutions have identified Panama's financial intelligence unit, the UAF, as a point of primary concern. The UAF has historically been viewed as ineffective and susceptible to political pressure. Shortly after the new administration took office on July 1, 2014, the president named a new director of UAF and made its reform one of his priorities. The UAF's new director is working to establish an operationally functional unit by strengthening the unit's analytical ability, increasing its coordination with law enforcement and prosecutorial entities, and reviving its international cooperation with foreign counterparts. The new director's initial efforts to improve the UAF are promising but will require adequate funding and longer-term support to be successful.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to a U.S.-style accusatory

judicial system, which began in September 2010, is expected to be implemented in all the provinces by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence, and could be new channels of access for money launderers. On January 11, 2014, Panama National Police and Panama Customs seized \$7,171,300 from the checked luggage of four Honduran nationals upon their arrival at Tocumen International Airport. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited oversight of trade and financial transactions. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ, but there is no official verification process to confirm its end use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. The new CFZ administrator, appointed in July 2014 by the president, has reinstated the CFZ's Office of Money Laundering Prevention and is aiming to expand its control over CFZ businesses and transactions.

Panama's Law 43 (2013) provides for the custody of bearer shares but does not come into effect until August 2015 and allows for a transition period of three years. Thus, Panama will not implement its provisions until 2018. Until the law is fully implemented, financial institutions face a serious risk associated with clients who maintain bearer share companies. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage \$36 million of forfeited assets for use by the Panamanian government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies. Agencies are under-resourced, and often lack the personnel and training to investigate and prosecute complex money laundering schemes. The U.S. and Panamanian governments jointly administer these shared funds to address these issues.

Panama needs to improve its AML legal and regulatory frameworks, strengthen the prosecutor's office and the judicial system, create a more transparent financial and trade network, and establish an adequate legal framework to freeze terrorist assets. The government's action plan is providing a roadmap for Panama to achieve these goals.

Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling and public corruption are problems in PNG.

Corruption is one of the main sources of illegal proceeds, especially related to misappropriation of public funds linked to the extraction industries, related licensing procedures, and through fraudulent compensation claims. The risk of domestic corruption is likely to be enhanced as PNG's rapid economic growth continues, fueled by large scale foreign investment in the mining and petroleum sectors. Corruption is also a serious issue in party politics. Misappropriation of government funds occurs via government payments which, according to the authorities, are generally placed through the banking sector and used to purchase real estate or high-value vehicles, distributed in cash, or moved offshore.

The techniques to launder proceeds from other large-scale crimes in PNG, such as illegal logging, arms trafficking, and fraud are less clear. Transshipment of drugs and other illegal goods en route to Australia is an emerging risk. The financial intelligence unit (FIU) reports that criminals are increasingly using corporate entities to hide funds and move them offshore. Limited PNG capacity in border control and the presence of organized criminal groups pose significant risks for money laundering. PNG relies on assistance from Australia to deter illegal cross-border activities, including illegal narcotics trafficking, primarily from Indonesia.

In PNG, the financial sector is small and provides little reach to the very large informal, rural, and self-employed segments of the population. Approximately 85 percent of the adult population lacks access to the formal sector. The financial sector is in development and trying to increase its outreach to rural areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; insurance and securities companies; gambling houses, casinos, and lotteries; lawyers and accountants; dealers of precious metals and stones; real estate agents; and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; gambling houses, casinos, and lotteries; investment managers and insurance companies; real estate agents; dealers in precious metals and stones; money exchanges and remitters; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Papua New Guinea is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/details.aspx?m=3f87fdab-7836-49ec-85de-62ceb17b97f1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Papua New Guinea's FIU believes close to half of the PNG budget is lost to fraud and laundered through the country's banks. There is little attempt to hide the source of the funds because of the low perceived risk of penalty. The FIU has adopted a proactive approach to combating this activity, focusing its efforts on crime prevention using financial intelligence. The FIU continues to claim it is inadequately staffed and resourced to fully address money laundering in PNG.

There appears to be no clear political-level commitment to use financial intelligence to tackle corruption and other crimes, and no demonstrated commitment by financial sector regulators to regulate and supervise AML obligations, which severely hampers the authorities' ability to tackle financial aspects of corruption. There have been no money laundering prosecutions since 2010. The ease with which allegedly corrupt PNG officials and businessmen can transfer money to Australia is of increased concern for law enforcement officials in both countries. The Australian Federal Police estimates \$200 million of PNG money acquired by crime is laundered in Australia every year. Although progress has been made, there have been difficulties recovering stolen government funds in Australian bank accounts or invested in Australian real estate.

The Government of Papua New Guinea should continue to build the capacity of the FIU. The government should ensure the FIU, police, customs, and the National Fraud and Anti-Corruption Directorate are sufficiently resourced to be able to gather data and evidence, mount investigations, and bring charges. Legislatively, authorities should criminalize terrorism financing, and the Ministry of Foreign Affairs and implementing agencies should develop and implement policies and procedures to implement the relevant UNSCRs. The government also

should establish a legislative framework to ensure the immediate freezing of funds belonging to persons or entities designated under UNSCR 1267 and to ensure that lists of persons and entities so designated are distributed among financial institutions. PNG also should develop and implement a comprehensive system for the declaration or disclosure of cross-border transportation of cash. Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the tri-border region shared with Argentina and Brazil and facilitates much of the money laundering in Paraguay. While the Government of Paraguay believes proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, porous borders, bearer bonds, casinos, unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments disclosure, ineffective and/or corrupt customs inspectors and police, trade-based value transfer, underground remittance systems, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possibly terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Paraguay is at the heart of the Latin American contraband cigarette trade. Some proceeds of these illicit activities were supplied to terrorist organizations.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations that include banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,392: January – September 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Paraguayan authorities arrested the alleged mastermind of a scheme that laundered close to \$500 million. While working at an accounting firm in Ciudad del Este, the subject allegedly helped clients launder money using both the Forex S.A. exchange house and several major Paraguayan banks. These banks received letters of reprimand and disapproval in 2013 for failing

to follow AML and KYC reporting requirements. U.S. authorities opened criminal investigations against several of these banks' correspondent institutions in the United States.

In November 2013, Paraguay approved a new law to prevent money-laundering and combat terrorist financing. The law took effect in February 2014 and strengthens the rules for reporting on financial transactions. Individuals and financial institutions must now provide significantly more information about their financial transactions and identities.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation is improving, but continues to be an impediment to effective enforcement, prosecution, and reporting efforts. Money laundering enforcement data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The autonomous government institution responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Credit unions respond to central bank ad hoc requests for money laundering indicators, even though they do not fall under the central bank's formal oversight. Currency exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited.

Paraguay's constitution requires all public employees to declare their financial assets both upon assuming and departing a government position. Following the inauguration of the new government in August 2013, the president, vice president, the 10 ministers of the executive branch, and 22 other minister-rank and high-ranking employees of the administration filed financial disclosure forms in compliance with the constitution, a first in Paraguay. New laws issued in 2013 mandated stricter guidelines on the information that must be disclosed by public officials and the penalties for non-compliance. As of January 2014, public employees must also disclose the assets and income of spouses and dependent children. Compliance with financial disclosure laws increased in 2014.

Customs operations at the airports and overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability and commitment to identify, investigate, and prosecute money laundering and related crimes effectively. Pervasive corruption is the facilitator. The lack of prosecutions and convictions is telling. Authorities should take additional steps to foster coordination among concerned agencies and departments and provide the training and resources necessary to effectively combat the laundering of illicit funds and value transfer.

Peru

Peru is neither a major regional financial center nor an offshore financial center. According to 2013 U.S. government statistics, Peru remained the world's top producer of cocaine. Money laundering is often used as a tool to integrate significant illegal earnings from drug trafficking and other transnational organized criminal activity into the Peruvian economy. As the Peruvian economy grows, financial crimes also increase. The most common methods of money laundering in Peru are believed to be illegal mining, real estate sales, casinos, business investments, high-interest loans, construction, export businesses, hotels, and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily-dollarized economy, a large informal sector (estimated to be 70 percent of GDP), and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as informal money exchanges and wire transfer services.

A large black market for pirated and smuggled goods exists, exacerbated by cash transactions. Pervasive corruption remains an issue of serious concern in Peru. There are reports that illicit funds may make up 3.5 percent of Peru's GDP.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, notaries, and dealers in precious stones and metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,624: January - September 2014
Number of CTRs received and time frame: 33.7 million: January - September 2014
STR covered entities: Banks; casinos; investment houses; dealers of arms, antiques, art, pawned goods, jewelry, and precious metals and stones; warehouses, construction, and real estate firms; financial and insurance companies; travel agents; vehicle dealerships, import

and export agents; credit card companies, courier and postal services, money lenders, and money exchanges; customs; mining companies; individuals and enterprises that manufacture and commercialize explosives or chemical components used in drugs and explosives; public entities that receive funds from other than the national treasury; traders and/or rental agents of machinery and equipment that can be used for illegal mining and/or logging; and non-governmental organizations that receive donations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 158: January - September 2014

Convictions: 2: January - September 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Peru is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Peru_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, the Government of Peru continued the implementation of the “National Plan to Combat Money Laundering and Terrorist Financing” (National Plan). The most notable advancement was the Public Ministry’s creation of a dedicated Specialized Office of Prosecutors on Money Laundering and Asset Forfeiture (ML/AF) in January 2014. The Specialized Office is led by the National Superior Prosecutor and Coordinator (NSP/C) for ML/AF, a new position designed to facilitate interagency coordination and information sharing. The Specialized Office has responsibility for all complex money laundering cases with national or international import where illicit activities involve more than one judicial district. The NSP/C can also assume jurisdiction for money laundering cases that involve organized criminal organizations under Resolution 227-2014-MP-FN. Cases involving less significant forms of money laundering will continue to be handled by prosecutors investigating the predicate crime. The NSP/C determines what constitutes a “less significant” case as there are not yet any common guidelines driving this process. The NSP/C’s most noteworthy case is the ongoing investigation into a former president for money laundering and conspiracy in connection with a series of multi-million dollar real estate deals. The Specialized Office consists of two Superior Prosecutors’ offices (with 24 prosecutors), an expert unit, and an administrative division. In addition to its casework, the NSP/C is working to create a common database of money laundering statistics that include investigations, prosecutions, and convictions.

The government also designated the National Commission for Seized Assets (CONABI) as an Executive Unit (under Law N°30114). While CONABI remains under the authority of the Prime Minister’s Office, it now has greater administrative and budgetary authority, such as hiring, contracting goods and services, and developing operational plans. Additionally, on November 12, 2014, the Ministry of Interior created a specialized National Police Unit for combatting

money laundering. The ministry will determine this unit's staffing and mandate over the coming months.

On July 1, 2014, Peru also put into effect the implementing regulations for its 2013 Organized Crime Law (N°0077). These implementing regulations remove obstacles that had impeded investigations to prosecute organized crime and money laundering. The new regulations allow for heavier sentencing, establish modern investigative techniques, and redirect all cases involving organized crime to the National Superior Criminal Court.

On October 13, 2014, the government passed resolution SBS 6729-2014, which expands the list of entities that must now report to the Financial Intelligence Unit, the UIF. Entities and persons who conduct the following activities must now report to the UIF: the trade and/or rental of machinery and equipment that can be used for illegal mining and/or logging, the production and/or trade of chemicals and controlled substances/goods, agencies and non-governmental organizations that receive donations, and the sale and/or trade of vehicles, currency, construction, jewelry, art, real estate, and pawned goods.

Casinos remain an area of money laundering concern. Much of this concern relates to the casinos' supervisory authority. The Ministry of Foreign Commerce and Tourism (MINCETUR) is the principal regulator of casinos. The UIF cannot monitor or investigate casinos for money laundering independent of MINCETUR. MINCETUR is a participant in the National Plan and provides information to the UIF by requiring casinos to report suspicious transactions.

Currently, businesses involved in the transfer of funds only need prior authorization by the Peruvian Banking Authority (SBS) while cash couriers need a signed agreement with the Ministry of Transportation and Communication. Informal remittance businesses, including travel agencies and small wire transfer businesses, remain unsupervised and vulnerable to money laundering. Peru would benefit from expanded supervision and regulation of financial institutions and DNFBPs; however, the UIF needs additional resources to deal with its monitoring responsibilities.

Peru continues to need capacity building in its prosecutorial system – including in the conduct of investigations; the presentation and the use of clearer language when writing investigative reports for prosecutors; and improvement of prosecutorial capacity. Even with the creation of the Specialized Office for ML/AF, prosecutors complain they cannot understand the format or language of many of the UIF's investigative results; the lack of financial experts to decode the UIF's reports makes it difficult for prosecutors to investigate the results within the required 120-day time frame. Compounding the problem, many judges lack adequate training to manage the technical elements of money laundering cases, and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses or predicate crimes, such as tax evasion or drug trafficking, which are easier offenses to prosecute successfully.

Peru's bank secrecy law remains a primary obstacle to effective investigation and enforcement. The National Plan emphasizes the importance of adopting legislation that allows the SBS and UIF to have greater access to bank and tax records, but two important bills have been pending before the Peruvian Congress's Banking, Finance, and Financial

Intelligence Committee since February, 2012. One would grant the UIF access to information currently protected by bank secrecy laws and privileged information on the assets of public officials. The other would bring Peruvian financial reporting entities in line with international standards and empower the UIF to establish standard operating procedures, regulate suspicious activities reports, and create an official registry and minimum obligations for money exchange agencies.

From January to September 2014, 77 Financial Intelligence Reports totaling \$3.13 billion were submitted to the Public Ministry. There is no common database tracking money laundering convictions, and the UIF, police, prosecutors, and public prosecutors have different figures on money laundering convictions. Many convictions are registered under a different predicate crime rather than money laundering, which likely explains the low number of convictions during the reporting period. According to the Peruvian Judiciary's International Affairs and Technical Cooperation Office, there were two money laundering convictions for the first nine months of 2014.

While taking welcome steps to implement the National Plan, Peru should publicly recognize the growing threat of money laundering and associated crimes in the country. A workable AML/CFT infrastructure exists. Sufficient resources must be allocated. Most importantly, the political will must be developed to aggressively recognize, investigate, and prosecute money launderers.

Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is becoming an increasingly important player in Asia. The Philippines faces challenges from transnational drug trafficking organizations, as methamphetamine abuse remains a significant problem domestically and the Philippines has become a drug transit country for cocaine and methamphetamine going into East Asia. In particular, significant quantities of methamphetamine enter the Philippines in bulk shipments via maritime routes and also via drug couriers using commercial aviation flights into the international airports. Transnational drug trafficking organizations based in East Asia use the existing banking system, casinos, and commercial enterprises to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, such as African and Latin American based groups, are expanding their presence throughout East Asia and will likely exploit the Philippine financial system to launder and transfer drug trafficking proceeds. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom, as well as narcotics and arms trafficking.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, regulates the growing gaming industry. PAGCOR reported gross revenues equivalent to about \$955 million in 2013.

The large Filipino expatriate community sends remittances that also provide a channel for money laundering. Banks and official money remitters are now able to capture the bulk of remittances, approximately 90%, sent by Filipinos overseas.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines has started using this technology for government-to-persons payments, such as through its Conditional Cash Transfer Program. The technology/systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 300 economic zones throughout the country. Local governmental units, the government-owned Bases Conversion Development Authority, or the Clark Development Corporation regulate a handful of other zones. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in the locally-regulated zones. In addition, the central bank exercises regulatory supervision over three offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 80,479: January 1 - October 31, 2014

Number of CTRs received and time frame: 37,861,454: January 1 - October 31, 2014

STR covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities;

securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - October 31, 2014

Convictions: 1: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since February 2014, the financial intelligence unit (FIU), the AMLC, has been working to secure passage in both houses of the Philippine Congress of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Considering unsuccessful attempts in the past to include casinos, enactment into law during the remaining one and a half years of the current administration may be a challenge without continued international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under 2013 amendments to the AMLA. Instead, a provision authorizes the AMLC to require reports and other documents from the government's Land Registration Authority and the Registries of Deeds. The AMLC and the government agencies concerned have yet to finalize operational and technical details/arrangements to implement reporting of real estate transactions.

The AMLC has not begun receiving reports from dealers in precious stones and metals despite their inclusion as covered entities in the 2013 AMLA amendments. The AMLC is consulting with the industry association on operational and technical details/arrangements to implement reporting and other requirements. There is no single government authority regulating jewelry dealers, and the industry association is not well-organized, which poses challenges for coordinating, monitoring, and enforcing their obligations as AMLA-covered entities.

There is no single supervisory authority for entities in the non-profit sector. Monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

While the Philippines has made progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement. The small number of prosecutions and convictions is telling. AML/CFT agencies continue to receive assistance to

build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement.

Poland

Poland is a high-income economy, the eighth largest economy in the EU, and one of the fastest growing in Europe. Yet Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering. Poland lies directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. According to the Government of Poland, evasion of customs duties and taxes by organized Polish criminal elements remains the largest source of illegal funds. Authorities identified virtual currencies, specifically bitcoin, as a new, increasingly significant avenue for money laundering in 2014. Authorities continue to report that Asian (primarily Chinese and Vietnamese) organized criminal elements are increasingly remitting profits from tax evasion and the sale of counterfeit goods via money transfers and couriers. The majority of Asian organized crime activity occurs at the Chinese Trade Center located in Wolka Kosowska, approximately 25 kilometers from Warsaw. There are also smaller Asian shopping centers located in Rzgów (near Łódź) and Jaworzno (near Katowice) where organized crime activity is suspected. The principal scheme involves the extreme undervaluing of imported goods through the falsification of invoices, which are used to determine the customs value of products and the applicable value added tax (VAT). The sale of counterfeit goods and illegal drug trafficking are also suspected at these markets.

Fuel and cigarette smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging delivery documents, is a major source of laundered proceeds. The practice is particularly significant along the Kaliningrad border. Money laundering through trade in scrap metal and recyclable material continues to be a growing trend, as is organized criminal activity in the financial services area through Internet banking, credit cards, and electronic systems for money transfers. The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is improving with the increase in the number of cooperation agreements concluded with counterparts in such countries. It is also believed some money laundered in Poland originates in Russia or other countries of the former Soviet Union. Polish authorities have identified carousel and VAT fraud as the most frequent sources of illegal proceeds. The nation's banks, insurance companies, brokerage houses, and casinos are also major venues of money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign legal entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, and dealers of high-value goods and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 26,947 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, brokerage houses, bookkeeping services, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones, and new payment services entities and agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 198 in 2013

Convictions: 129 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Poland is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Poland continues to strengthen and align its AML/CFT tools and institutions with international standards. Representatives from Poland’s General Inspector of Financial Information actively participated in the legislative work which took place within the EU in 2013. Independently, Poland continues to strengthen its autonomous office on terrorism financing. In 2013, 22 suspicious transaction reports (STRs) identified transactions as suspected terror financing. The financial intelligence unit (FIU) is seeking ways to upgrade analytical tools in order to be able to process data more comprehensively and efficiently. Cooperation among relevant authorities and institutions has increased; however, work remains to ensure effective implementation. There is good and improving cooperation with international law enforcement

agencies. In 2013, criminal asset forfeiture cases totaled 33,798,958 PLN (approximately \$9,183,000). There is no non-conviction-based forfeiture in Poland.

Police and customs officials, in particular, should continue efforts to recognize diverse money laundering and terrorism financing methodologies, including trade-based money laundering and terrorism financing methodologies, as well as informal value transfer systems. Poland should ensure promulgating regulations are fully effective. The government should promote additional capacity building in the private sector and continue to improve communication and coordination among the FIU and relevant law enforcement agencies.

Portugal

Portugal is a transit point for narcotics entering into Europe, and Portuguese officials indicate the majority of money laundered in the country is narcotics-related. Portugal's long coastline, vast territorial waters, and privileged relationships with countries in Latin America and Africa make it a gateway country for Latin American cocaine and a transshipment point for drugs coming to Europe from West Africa.

Authorities have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, smuggling, prostitution, organized crime, and aiding or facilitating illegal immigration. Portuguese authorities also have detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Currency exchanges and real estate purchases often are used for laundering criminal proceeds.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The State Secretary for Tourism supervises and monitors casinos. Portuguese authorities legalized online casinos in the past year.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7,184 in 2012

Number of CTRs received and time frame: 1,277 in 2012

STR covered entities: Banks and credit institutions; investment companies; life insurance companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; pension fund management, credit securitization, venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; traders in high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 70 in 2013

Convictions: 36 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Portugal is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/portugal/documents/mutualevaluationofportugal.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code, as revised in 2007, provides for criminal corporate liability for white-collar crimes, money laundering, crimes against public health, cybercrime, and certain other crimes.

The Portuguese Judicial Police made a number of high-profile arrests of current and former senior Portuguese government officials and their associates in late 2014, resulting from multiple, corruption-related investigations. One such investigation targeted officials and a number of Chinese-national accomplices in a bribery scheme associated with Portugal's investor visa program known as "Golden Visa."

The Government of Portugal should continue to be concerned about many suspicious and large scale Angolan investments in Portuguese luxury real estate, businesses, and financial institutions. Angola is a former Portuguese colony and one of the most corrupt countries in the world. There are allegations Portugal serves as a hub for laundering illicit funds for Angola's

ruling class. Increased Chinese efforts to establish political and economic influence also warrant monitoring.

Qatar

Qatar has become an increasingly important banking and financial services center in the Gulf region. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. The expansion of the financial and trade sectors, the large number of expatriate laborers who send remittances to their home countries, the liberalization and growth in the real estate sector, uneven corporate oversight, and Iran's efforts to bypass sanctions through Gulf economies make Qatar increasingly vulnerable to the threat of money laundering. The exploitation of charities to finance terrorism continues to be a concern, as does the ability of individuals to bypass the formal financial sector for illicit financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and non-profit organizations (NPOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 460 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and NPOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Qatar is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/QatarMER1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Emir approved two pieces of legislation in September 2014, the Cybercrime Prevention Law Number 14 of 2014; and the Charity Oversight Law Number 15 of 2014, which increases government oversight of charitable donations in Qatar and forbids the collection of donations outside of officially approved mechanisms. The National Anti-Money Laundering and Terrorism Financing Committee continues to be the government agency charged with AML/CFT policy. The “2013-2017 Strategy: Financial Transparency to Promote Stability and Security,” launched in 2012 by the Qatar Financial Information Unit, remains in place.

The new charities law establishes an interagency commission headed by the Minister of Labor and Social Affairs. The commission has the authority to monitor, license, and dissolve non-governmental charitable organizations, and requires that Qatari organizations receive approval to work with foreign entities and disclose details of financial transactions. The new charities law establishes penalties, including jail time, for any individual deemed to be in violation of the law. The Qatari government is working to implement this law and address the ongoing concern of potential abuse of the charitable sector by terrorist financiers. In 2014, the government took a number of measures to track and dry up the flow of suspect funds, including shutting down an illegal online fundraising campaign and deporting a foreign terrorist financier with ties to a Qatari charity. The government also ordered local charities to cease dealings with certain foreign charities over concerns about their activities. The government additionally implemented UNSCR 1267/1989 sanctions against a listed Qatari individual.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, 1803, and 1929 and prohibited transactions with listed entities. Bank Saderat is the only active Iranian financial entity, with two small branches in Doha. As a foreign bank, Saderat cannot open new branches or expand its activities in Qatar. Reflecting general concerns in the Gulf about Iranian financial institutions, many Qatari banks no longer clear checks for Bank Saderat, and Qatari banks have ended all correspondent relations with Saderat.

Qatar has laws in place for cross-border currency control system, but they are contradictory, vague, and generally not enforced. For example, one resolution provides for a declaration system but no threshold amount is stated, while other legislation provides for a disclosure system.

Qatar should continue its efforts to implement AML/CFT regulations and procedures, and should ensure sufficient resources and training are provided to develop the necessary institutional capacity, especially in the field of financial investigations. Qatar should continue to work to increase the rate of investigations and prosecutions by building capacity within its law enforcement authorities and enforcing new and existing laws. Qatar also should pursue outreach

and enforcement activities to ensure terrorist financing-related STR reporting occurs. Qatar should clarify and enforce its cross-border controls of bulk cash and negotiable instruments.

Romania

Romania's geographic location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles, and persons by transnational organized criminal groups. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Romania's economy remains to a large extent cash-based and the shadow economy is approximately 30 percent of the GDP. In 2014, tax evasion was the main source of illicit funds connected to money laundering. Laundered money comes primarily from domestic and international crime syndicates that conduct their criminal activity in Romania, and subsequently launder their illicit proceeds through illegitimate front companies. Commercial transactions have been the main method of money laundering, mainly through use of shell and offshore companies and primarily involving fraudulent claims for value added tax reimbursement. Amounts mainly generated by tax evasion get transferred from Romanian companies' accounts to offshore companies and then, after a period of time, they return to the country and the accounts of the involved individuals or companies, or into the accounts of other persons or companies without any apparent connections. The Romanian financial intelligence unit (FIU) has identified suspicious activity involving terrorist financing.

Romania has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Organized crime groups in Romania have collaborated to establish international criminal networks performing internet fraud activities and related money laundering schemes, using highly sophisticated means such as Fast Flux (a method for concealing command and control of botnets) to hide their identities. Although a majority of their victims reside in the United States, Romanian cybercriminals are increasingly targeting victims elsewhere in Europe, as well as in Romania itself.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage and real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; financial investment service providers; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; casinos; persons responsible for privatizations; non-governmental organizations (NGOs); real estate brokers; and traders of high-value goods and/or services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,926: January 1 - October 31, 2014

Number of CTRs received and time frame: 5,497: January 1 to October 31, 2014

STR covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage/real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; money transfer agencies; real estate brokers, retailers, and commercial service providers; NGOs; and officials in charge of the privatization process

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 34: January 1 - October 31, 2014

Convictions: 15: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Romania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/countries/romania_EN.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In order to implement and adjust to the EU Rules concerning the restrictions against Iran, the FIU issued Order 136/2014.

Romania's FIU faces the continual challenge of limited financial, human, and technical resources. The Government of Romania should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. Other organizations working to combat money laundering in Romania include the Directorate for Investigating Organized Crime and Terrorism, and the National Anti-Corruption Directorate.

In order to improve the rate of money laundering prosecutions and convictions, the Romanian authorities should not become overly reliant on STRs and other forms of financial intelligence, but instead should empower law enforcement and customs authorities to detect and investigate money laundering at the street level, including at borders and ports. The current system for the detection of physical cross-border transportation of currency raises serious concerns given the

significant vulnerability of the Romanian financial system to cash-based money laundering. The Government of Romania should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania also should continue to prioritize combating corruption in public procurement.

Russia

While there has been significant progress in improving Russia's AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Money laundering continues to cost the Russian economy billions of dollars every year. The Central Bank of Russia (CBR) estimates that \$26.5 billion in 2013 and \$5.7 billion in the first half of 2014 left Russia through what the CBR terms "fictitious transactions." This definition, according to the CBR, includes payment for narcotics, bribes to government officials, and tax evasion. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption. In particular, official corruption remains a significant problem at all levels of government, despite several recent high profile anti-corruption actions by the Government of Russia, and is a major source of laundered funds, with proceeds frequently moved offshore.

Russia is considered a significant transit and destination country for international narcotics traffickers. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring) has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

Cybercrime remains a significant problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Are legal persons covered: *criminally:* NO *civily:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance, and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,072,765 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; pawnshops and dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Russia is a member of the FATF and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Russia took a number of regulatory and legal measures to strengthen its capacity to combat financial crime and money laundering. Among these measures are improved beneficial owner definitions; better access to information on bank accounts for tax inspectors and law enforcement investigators; the right of banks to unilaterally decline to open an account or terminate an existing account of a client suspected of criminal activities; and the ability of credit institutions to freeze any client’s account if they suspect any involvement in extremist activities or terrorism. While this legislation is a major step forward for Russia, full and unbiased implementation will be required to address Russia’s reputation as a center for money laundering.

Apart from taking responsibility for regulating non-bank financial entities, the CBR stepped up enforcement within the banking sector, revoking 26 banking licenses in 2013. Some of these revocations were related to money laundering and tax evasion schemes. It is unclear, however, how many of the license revocations specifically involved money laundering concerns.

A new law on public procurement was adopted in April 2013 and is the most significant improvement since 2005. The legislation has come into force gradually, beginning in January 2014. One of the more important components of the legislation has been the obligatory public discussion of all government procurement contracts with a value of more than 1 billion rubles (approximately \$21.3 million).

In 2014, building on the significant steps taken in the previous year, the Russian Government undertook additional measures centered on its tax system. For example, the National Plan on Countering Tax Evasion and Concealing Beneficial Owners was adopted in April 2014. The plan develops a number of items of important AML legislation. These steps include the introduction of beneficial ownership registries in June 2014, the improvement of beneficial ownership identification procedures in December 2014, and an enhanced system for information exchange on violations of AML/CFT rules in December 2015. Russia also enacted additional changes to the AML/CFT legislation to establish a lower, 100,000 rubles (approximately \$2500), threshold for Russian NGOs who are receiving money and in-kind assistance from abroad. Under new legislation, pawn shops began filing STRs on April 1, 2014.

In November 2014 the State Duma (the lower house of the Russian Parliament) also passed new legislation on “controlled foreign companies” to come into force January 1, 2015. The legislation states that offshore entities that are at least 50 percent Russian-owned must pay tax on unallocated profits, but the threshold will fall to 25 percent in 2017. Russian ownership in a controlled foreign company of more than 10 percent must be reported to the Russian authorities before April 1, 2015. Russia is unable to effectively enforce foreign forfeiture orders.

Rwanda

Rwanda is not a major or offshore financial center. The Rwandan financial system remains relatively unsophisticated, although the number of electronic fund transfers and credit card transactions is rising. Money transfers by cell phone are becoming common. While the black market for smuggled goods is limited, the smuggling of tin, tantalum, tungsten, and gold from the neighboring Democratic Republic of the Congo generates funds that may be laundered through Rwanda’s financial system. The scope of this smuggling is difficult to quantify. Pyramid schemes have been used to launder money.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, mobile network operators, travel agencies, and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies, and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Rwanda is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The existence of the financial intelligence unit (FIU) within the Rwanda National Police has improved monitoring of the financial system; however, it has not yet led to any financial prosecutions and convictions. In general, relevant agencies of the Government of Rwanda need further training, resources, and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorist financing.

Under Rwandan law, all foreign currency transactions in excess of \$20,000 or its equivalent are documented and reported to the Central Bank. Any transaction of any type in excess of \$1 million must be reported as a suspicious transaction. In particular, the threshold for suspicious transactions is extremely high; international standards generally call for the reporting of all suspicious transactions, including attempted transactions, regardless of the amount of the transaction.

The Government of Rwanda should review the reporting thresholds to determine if they are appropriate, considering the average size of transactions in the Rwandan financial system, and

should be adjusted, if necessary, to bring them in line with international standards. Furthermore, Rwanda should provide safe harbor protections for its reporting entities and gatekeepers, ensure its FIU's autonomy, and take steps toward becoming a member of a FSRB.

Samoa

The Independent State of Samoa is not known to have major organized crime, fraud, or drug problems, and due to the small size of the local economy and the banking sector, Samoa has not become a haven for money laundering or terrorism financing. There is also no significant evidence of large scale public corruption or black market activity. The most common financial crimes within the jurisdiction appear to be low-level fraud and theft.

According to Samoan law enforcement, criminal organizations based in Hawaii and California are involved in the trafficking of cocaine and crystal methamphetamine into Pacific island nations, including Samoa. Additionally, South American and Australian-based organizations use the South Pacific islands as transshipment locations for cocaine being shipped from South America into Australia and New Zealand.

Samoa is an offshore financial jurisdiction administered by the Samoa International Finance Authority (SIFA). For entities registered or licensed under the various Offshore Finance Centre acts, there are no currency or exchange controls, and no foreign exchange levies payable on foreign currency transactions. No income tax or other duties, nor any other direct or indirect tax or stamp duty is payable by registered/licensed entities.

There are four locally incorporated commercial banks, supervised by the Central Bank. There is one casino in operation, and one additional license the government has yet to allocate. In addition, two local lotteries are in operation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks, money remitters, casinos, real estate agents, lawyers, accountants, trust and company service providers, credit unions, foreign exchange dealers, dealers of precious metals and stones, and insurance companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 26: July 1, 2013 - June 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, casinos, real estate agents, lawyers, accountants, foreign exchange dealers, money remitters, credit unions, dealers of precious metals and stones, trust and company service providers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Samoa is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=4>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention Task Force (MLPTF) meets quarterly to advise or make recommendations to the Money Laundering Prevention Authority (MLPA), which houses Samoa's financial intelligence unit. The MLPTF is tasked to ensure close liaison, cooperation and coordination among various Government of Samoa departments and corporations. The task force established a memorandum of understanding among all members of the task force with respect to formal exchange and sharing of relevant information to counter money laundering offenses and terrorism financing activities. In 2014, Samoa passed the Counter Terrorism Act. Among other things, the act addresses the freezing of terrorist assets.

The independent and permanent Transnational Crime Unit (TCU) is staffed by personnel from the Samoa Police Service, Immigration Division of the Ministry of the Prime Minister, and Division of Customs. The TCU is responsible for intelligence gathering and analysis; and investigating transnational crimes, including money laundering, terrorism financing, and the smuggling of narcotics and people. It is a challenge for the TCU to gather information, however, even from agencies in the MLPA.

While legal structures are in place to combat both money laundering and terrorism financing, resource constraints continue to limit investigatory and prosecutorial capacity. Reporting and oversight mechanisms appear to be under-funded, and the government should consider expanding their resources, particularly in light of the risks associated with the offshore sector. The addition of gaming operations in Samoa will require increased regulatory oversight and management to limit money laundering risk and criminal exposure.

Particular aspects of the country's AML law should be strengthened, such as requiring enhanced due diligence for politically exposed persons (PEPs) and ascertaining beneficial ownership. Samoa should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption. Samoa also should take the necessary actions to fully implement its new counter-terrorism law.

San Marino

The Republic of San Marino is an extremely small country surrounded by Italy. Stricter monitoring regulations appear to have resulted in a decrease overall in financial crimes. Money laundering occurs in both the formal and nonbank financial sectors, unrelated to narcotics trafficking. Money laundering is mainly trade-based and is perpetrated by foreigners to avoid higher taxes in their home countries. There are no free trade zones or casinos in San Marino, nor is there a significant market for illegal or smuggled goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 139 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and financial companies, insurance and reinsurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES
With other governments/jurisdictions: YES

San Marino is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/San%20Marino_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

San Marino has continued to make improvements to its AML/CFT regime and to increase the transparency of its financial sector. San Marino has signed memorandums of understanding with a number of countries, including the United States. It also has signed tax information exchange agreements or double taxation agreements with 49 countries, including all major EU member states.

San Marino should become a party to the UN Convention against Corruption.

Sao Tome & Principe

Sao Tome and Principe (STP) has a small banking sector and is not a regional financial center. The economy is almost entirely cash-based, though limited automated teller machine service is available. There is no evidence that significant money laundering or illicit financial activity linked to the drug trade, contraband smuggling, or terrorism occurs in STP.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Central Bank, commercial banks, and the Public Ministry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 88: October 2013 - September 2014
Number of CTRs received and time frame: Not applicable

STR covered entities: Central Bank, commercial banks, the Public Ministry, insurance companies, casinos, and real estate companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Sao Tome and Principe is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Sao%20Tome%20and%20Principe.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

STP's AML/CFT regime does not meet international standards, and its regulatory and supervisory regime is generally lacking in capacity as well as coverage. STP is vulnerable to potential money laundering and terrorism financing activities given its weak regulation of financial institutions and lack of effective, proportionate, and dissuasive sanctions against those who do not comply with national AML/CFT requirements. The Government of STP is working to address these and other deficiencies.

In 2014, STP addressed a major deficiency in its regulatory regime by creating a cross border currency declaration system. On July 28, 2014, STP enacted Decree No. 11/2014, which requires all persons entering STP with cash valued in excess of the equivalent of 245 million dobras (approximately \$11,345) to declare the amount to customs officials.

In 2014, STP officials focused on implementing the amended AML/CFT law passed in 2013. The law brought STP into closer compliance with international standards. The Financial Information Unit, STP's financial intelligence unit, is designated as the central agency with responsibility for investigating suspect transactions.

Although prosecutions rose slightly in 2014, there were no convictions and the effectiveness of the new AML/CFT law remains to be seen. Full implementation of new legal and regulatory requirements is a challenge given the country's scarce resources and low capacity within the government, national security forces, and the judiciary. There is a significant need for capacity-building. STP has limited financial resources to devote to AML/CFT enforcement.

Sao Tome and Principe should continue to work to address the remaining deficiencies in its AML/CFT regime, including by establishing and implementing a framework to freeze terrorist assets in accordance with UNSCRs 1267 and 1373 and ensuring the criminalization of all appropriate predicate crimes to money laundering.

Saudi Arabia

The Kingdom of Saudi Arabia is a rapidly expanding financial center in the Gulf Region and the second largest source of remittances in the world. There is no indication of significant narcotics-related money laundering, though Saudi authorities have noted a rise in narcotics trafficking in the past few years. Bulk cash smuggling and money transfers from individual donors and Saudi-based charities have reportedly been a significant source of financing for extremist and terrorist groups over the past 25 years. Despite serious and effective efforts to counter the funding of terrorism originating within the Kingdom, a small number of individuals and entities in Saudi Arabia continue to serve as sources of financial support for Sunni-based extremist groups. While the Kingdom has tightened banking and charity regulations, as well as stiffened penalties for financing terrorism, funds are allegedly collected in secret and illicitly transferred out of the country in cash, often via pilgrims performing Hajj and Umrah. Recent turmoil in Syria and Iraq and sophisticated usage of social media have facilitated charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors. Some Saudi officials acknowledge difficulties in following the money trail with regard to illicit finance, in large part due to a preference for cash transactions and regulatory challenges posed by hawala networks, which are illegal and dismantled upon discovery.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money exchangers, real estate agents, dealers in precious metals and stones, lawyers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,240: November 4, 2013 – October 25, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, exchange companies and institutions, investment and insurance companies, commercial companies, sole proprietorships, and vocational activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 300 in 2012

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/MER/MER_SaudiArabia_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately 10 million expatriates living in Saudi Arabia, Saudi banks have developed fast, efficient, high-quality, and cost-effective fund-transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods. Efforts to improve regulation of money transmitters also have reportedly pushed more expatriate remittances to the formal banking system, which has facilitated greater transparency and control over such flows. The Saudis' ability to stop bulk cash smuggling has also improved, but cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow.

In February 2014, Saudi Arabia's king decreed a new antiterrorism law that criminalizes any act "which includes raising money, offering, taking, allocating, transporting, and transferring it – or its revenues – in whole or in part, for any individual or group terrorist activity."

Sweeping counterterrorism operations have demonstrated Saudi Arabia's effectiveness at disrupting financing within the Kingdom. Contributions to charities are subject to strict guidelines, and regulations forbid charities from performing certain payment and transfer activities. Nonetheless, scores of small, online charities based outside of the Kingdom are establishing a presence in Saudi Arabia via social media sites and have successfully solicited donations from within the Kingdom for both licit and illicit causes tied to Syria and other regional crises.

Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has improved and has helped stem the flow of illicit funds through Saudi financial institutions. The Kingdom continues to improve banking supervision and has taken measures to enhance systemic banking compliance over the past year. However, improvements in the quality and consistency of reporting on suspicious activity would bolster the government's ability to identify illicit financial transfers, unlicensed charitable collections, and other illegal activity.

Authorities should be vigilant in scrutinizing the regional gold trade, often used to transfer value. The government recently began publishing official criminal statistics and should continue to improve transparency regarding the number of successful money laundering prosecutions and convictions so that the effectiveness of the Kingdom's AML/CFT program can be better evaluated. The Saudi government should continue to ensure all institutions maintain consistent

and strong compliance regimes. The Saudi government also should improve cooperation with neighboring jurisdictions to close down extremist charities and continue educating Saudi citizens regarding the risks of donating to unlicensed charities.

Senegal

A regional financial center with a largely cash-based economy, Senegal has proven vulnerable to money laundering. Various reports, as well as Senegalese officials, indicate that Senegal is vulnerable to the activities of organized crime, drug trafficking, Internet fraud, bank and deposit fraud, document forgery, and Ponzi schemes. There is evidence of increasing criminal activity by foreigners, including narcotics trafficking by Latin American groups. Many foreign traffickers use Senegal as a hub to export drugs to Europe and other destinations. Inadequate enforcement of relevant laws creates a permissive environment for criminals seeking to launder money.

Reportedly, most domestically generated laundered funds derive from corruption and embezzlement. Corruption permeates all levels of government and commerce. Also of concern are organized crime figures who launder and invest in Senegal their personal and their organizations' proceeds from the growing West African narcotics trade. The increasing numbers of used imported vehicles suggest the existence of both trade-based money laundering (TBML) and regional stolen car networks. Many stolen U.S. vehicles are routed to West Africa.

Dakar's active real estate market is largely financed by cash, and the construction industry appears to be a popular sector for laundering illicit funds. The continued building boom and high property prices suggest there is an increasing amount of funds of uncertain or dubious origin circulating in Senegal. Ownership and transfer of property are not transparent.

TBML is centered in the region of Touba, a largely autonomous and unregulated free trade zone under the jurisdiction of the Mouride religious authority. Touba reportedly receives between \$550 and \$800 million per year in funds repatriated by networks of Senegalese traders and vendors abroad. Other areas of concern include the transportation of cash, gold, and gems through Senegal's airport and across its porous borders. The widespread use of cash, money/value transfer services, including hawaladars, and new payment methods also presents money laundering vulnerabilities. Mobile wallets cater to the needs of the Senegalese unbanked, which make up 94 percent of the population, but are not always subject to AML/CFT controls.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks; money exchanges; notaries; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; non-governmental organizations (NGOs); and the Public Treasury

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 99: January 1 – September 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, such as art objects, precious stones, and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 4 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Senegal has taken steps to prevent financial crimes. Although the aggregate numbers are still small, with a doubling in STR reporting, Senegal’s AML/CFT regime continues to tighten. Senegalese authorities are drafting legislation extending enhanced due diligence to domestic politically exposed persons (PEPs). Senegal also is taking steps to computerize land registration to increase the transparency of the real estate sector.

The West African Economic and Monetary Union (WAEMU) has been revising its common community law against money laundering and terrorism financing. For Senegal, adoption of this law will combine all previous laws against money laundering (Law of 2005) and terrorism financing (Law of 2009) and align them with the international standards.

In 2014, CENTIF, the financial intelligence unit, sponsored two major studies, one on casinos and the other on Senegal’s extractive industries to better understand the nature of the actors.

CENTIF also ran national awareness campaigns on money laundering, some in the heavily traveled commercial regions of Saint Louis, Louga, Djourbel, Kaolack, and Tambacounda. Three more studies are underway in the real estate sector, e-payments, and mobile banking. The CENTIF is improving outreach and better monitoring the non-bank financial sector, including money service businesses. CENTIF is conducting workshops, awareness campaigns throughout the country, and its national risk assessment.

Senegalese police have limited logistics capabilities and little expertise in investigating financial crimes. Senegalese law enforcement authorities should be trained to identify and investigate suspected money laundering in both the formal and informal financial sectors. CENTIF, law enforcement, and Ministry of Justice authorities should work together to coordinate roles and responsibilities with regard to case investigation and assembly, and develop a deeper interagency understanding of money laundering and terrorist financing. CENTIF has been working to achieve this goal regarding terrorist financing.

Senegal should continue to work to bring its AML/CFT regime into full compliance with international standards. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. The government should establish better uniform control of the cross-border flow of currency and other bearer negotiable instruments for both residents and nonresidents. Senegal should work with the international community to review its amended AML law, and revise it as necessary to bring it into conformity with the applicable WAEMU legislation and/or to address new or persistent vulnerabilities in the AML/CFT regime.

Serbia

Serbia is not considered a regional financial center; however, Serbia is situated on a major trade corridor known as the Balkan route and commonly confronts narcotics trafficking; smuggling of persons, weapons, and pirated goods; stolen vehicles; and other criminal activities. While the bulk of narcotics seizures are of heroin, it has become apparent over the last few years that trafficking of cocaine, originating in South America, to Western European countries by Serbian organized criminal groups, or transnational organized criminal groups which include Serbian citizens, is on the rise. Serbia has a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion, and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in real estate and businesses. Cyprus, Macedonia, Hungary, Switzerland, Austria, Netherlands, and China continue to be the next stops or final destinations for laundered funds. Trade and service-based transactions, in the form of over- and under-invoicing, are commonly used for laundering money, as are shell companies incorporated in Serbia and abroad in offshore destinations. Purchases of some private and state-owned companies have been linked to money laundering activities. According to the Council of Europe, money laundering costs the Serbian economy between three and five percent of its GDP every year.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications and postal transmitters; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 634 in 2013

Number of CTRs received and time frame: 233,140 in 2013

STR covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Serbia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Serbia continues to take steps to strengthen its AML/CFT regime. Adoption of amendments to Serbia’s Law on Prevention of Money Laundering and Terrorist Financing,

finalized in 2014, has been put on hold pending EU adoption of new money laundering rules, in order to harmonize the Serbian law with the expected EU rules. The planned amendments will introduce provisions on domestic politically exposed persons (PEPs), stricter rules on identification of beneficial owners, and an obligation to maintain a list of countries that do not comply with AML/CFT standards.

On October 31, 2014, the Government of Serbia sent to Parliament for adoption the proposed Law on Restrictions on Disposal of Property with the Aim of Preventing Terrorism. The draft law will set forth the process for establishing a list of designated persons and entities, and the procedure for freezing assets. The proposed law also will establish which entities will be authorized to initiate these proceedings, decide on seizure requests, and manage the seized assets. Parliament is expected to adopt the law early in 2015.

On December 31, 2014, the Serbian government adopted the National Strategy for the Fight against Money Laundering and Terrorism Funding which covers strategic planning, coordination, and cooperation of all concerned government agencies and departments. The National Strategy covers the period until 2018 and envisages the constitution of expert teams to coordinate government actions involved with AML/CFT.

Even with the new legislation, Serbia needs to continue to push for stronger enforcement of existing laws within all sectors obligated to follow AML/CFT rules. Serbia also should provide those entities with sufficient guidance to ensure they understand, and are able to comply with, their responsibilities under the law. The National Bank of Serbia and other supervisory bodies, as well as investigative agencies, the Administration for the Prevention of Money Laundering and Terrorist Financing, prosecutors, and judges continue to require additional resources, in particular for building their professional capabilities. Law enforcement and prosecutors also need to make increased use of criminal money laundering charges. The low number of prosecutions and convictions for money laundering is telling.

Seychelles

Seychelles is not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft, and fraud to be the major sources of illegal proceeds. Corruption is also a problem. In the past, Seychelles was negatively affected by piracy off the coast of Somalia. Seychelles is a consumer country for narcotics.

To diversify its economy beyond tourism and fisheries, and to increase foreign exchange earnings, the Government of Seychelles developed an offshore financial sector. Seychelles actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. The government is aware these activities may increase the risk of money laundering. In its 2007-2017 strategic plan, the government proposes to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. On March 1, 2014, following the proclamation of the Financial Services Authority Act, the Seychelles International Business Authority (SIBA), which regulates and promotes the offshore non-banking financial

sector, was renamed the Financial Services Authority (FSA). In contrast with SIBA, the new FSA is focused solely on the licensing and regulation of the sector, while promotional activities are now undertaken by the Seychelles Investment Board, the national investment promotion agency. It is estimated that more than 100,000 IBCs are currently registered with FSA. FSA is obligated to report suspicious transactions to the financial intelligence unit (FIU).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 69: January 1 - November 15, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 23: January 1 - November 15, 2014
Convictions: 0: January 1 - November 15, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On December 16, 2013, the International Business Companies Act 1994 was amended to provide for the abolition of bearer shares. Under the new provision, IBCs can no longer issue bearer shares, and are obliged to recall, cancel, or reissue them as registered shares by June 13, 2014. Following this deadline, the Seychelles Financial Services Commission used its “strike-off” authority on around 60 IBCs that had not complied with the legislation. More than 2,000 IBCs did comply and reissued registered shares. In addition, beginning December 31, 2014, all IBCs are required to provide an annual return to their registered agent in Seychelles to ensure compliance with account record keeping requirements.

The Central Bank is mandated to record all outgoing (foreign) transfers greater than Rs 50,000 (approximately \$3,500). Additionally, as of August 2013, all money and value transfer service providers in Seychelles are required to notify the FIU on a weekly basis of all outbound international transfers valued between Rs 10,000 (approximately \$700) and Rs 50,000 (approximately \$3,500). From January 1 - November 15, 2014, 11,168 such transfers were reported.

The Government of Seychelles should continue to improve the implementation of its AML/CFT framework, including its analysis of suspicious transaction reports (STRs) and financial crimes investigations and prosecutions. Additionally, it should mandate enhanced due diligence procedures when appropriate, and in this regard consider extending its definition of politically exposed persons (PEPs) to persons holding prominent public positions in Seychelles itself. The government also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore activity, and should actively enforce its financial services regulations. Authorities should codify Seychelles’ ability to freeze terrorist assets without delay rather than continuing to rely on the issuance of restraining orders. The Government of Seychelles should criminalize terrorism financing in accordance with international standards.

Sierra Leone

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, a large seaport, pervasive corruption, and porous borders are conducive to money laundering. Sierra Leone is an attractive trans-sea shipment point for illegal drugs and other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous land borders. To date, there is little evidence drug smuggling is a significant source of laundered money. The small-scale artisanal diamond mining industry is exploited by domestic groups and individuals rather than by transnational cartels. The trade in stolen automobiles, many originating in the United States, continues to be a concern. Most financial transactions, including currency exchanges and remittances, are informal and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to the financing of terrorism.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler’s check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7 in 2014
Number of CTRs received and time frame: 85,471 in 2014
STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler’s check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: May - October 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Sierra%20Leone.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2012, Sierra Leone’s Parliament enacted the Anti-Money Laundering and Combating of Financing of Terrorism Act (AMLCFTA). The AMLCFTA provides a basic legal framework for countering illicit finance in Sierra Leone, but full implementation remains a challenge because of the government’s limited resources. The Government of Sierra Leone has made progress, but needs to take further action to ensure its AML/CFT regime complies with international standards and is effectively implemented.

As part of its ongoing implementation efforts, in 2013 the Government of Sierra Leone published in the national gazette a Regulation on Terrorism Prevention (Freezing of International

Terrorists' Funds and other Related Measures). It is believed this legislation is still before Parliament.

There is a low rate of compliance throughout the financial sector, particularly among the commercial banks headquartered in Nigeria. The Bank of Sierra Leone is seeking to improve its ability to use financial intelligence to identify and monitor politically exposed persons (PEPs) and other "sensitive" people and to assist in determining suspicious transactions. The financial intelligence unit (FIU) attempts to be proactive in its efforts to ensure financial institutions are in compliance with AML/CFT laws. The FIU has the ability to impose fines, suspensions, and other actions when financial institutions are not compliant.

Inadequate resources and lack of training hamper law enforcement efforts in all arenas, including prosecutions. The Transnational Organized Crime Unit is authorized to undertake complete investigations and effect arrests, but general policing capacity and understanding of the use of financial investigations and intelligence are low. The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers. The lack of expertise also impedes the investigation of possible abuses related to informal finance, such as hawala networks, and possible ties between money laundering in Sierra Leone and Lebanese traders. Corruption is a related concern.

Sierra Leone became a party to the UN Convention against Transnational Organized Crime on August 12, 2014.

Sierra Leone should continue to work toward full and consistent implementation of the AMLCFTA. It should bolster its efforts to counter smuggling, tighten border controls, and adequately supervise those sectors most vulnerable to money laundering. It should fully operationalize its FIU; provide training for FIU staff; institute effective supervision of both designated non-financial businesses and professions and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record-keeping requirements; criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act; and establish procedures and mechanisms to implement UNSCRs 1267 and 1373.

Singapore

Singapore is a major international financial and investment hub. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors pose inherent risks and make the jurisdiction a potentially attractive money laundering destination for transnational criminals and foreign corrupt officials.

As of November 8, 2014, there were 37 offshore banks in operation, all foreign-owned. Singapore is a major center for offshore private banking and asset management. Assets under management in Singapore total approximately \$1.42 trillion. As of the end of 2013, Singapore had at least \$1.09 trillion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of \$4.11 billion in 2013. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

In 2012, Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax, which may attract a larger share of the trade in precious metals. Regionally, gold is often used as a commodity of choice in trade-based money laundering (TBML) schemes and is also used frequently in the settling of accounts in underground financial systems. Singapore is located on a key global trade route and is a major transshipment port. Singapore hosts ten free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs, in conjunction with the Ministry of Finance. Singaporean authorities recognize the vulnerability of these areas to trade fraud and TBML.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22,417 in 2013
Number of CTRs received and time frame: 370,933 in 2013
STR covered entities: Banks, auditors, financial advisors, capital market service licensees, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 79 in 2013
Convictions: 82 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES
With other governments/jurisdictions: YES

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/documents/documents/mutualevaluationofsingapore.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore has a comprehensive suspicious transaction reporting (STR) regime and applies AML/CFT requirements to a broad range of entities. Currency transaction reporting (CTRs) above a certain threshold only pertains to casinos and, as of October 2014, to gem and precious metals dealers. There currently is no comprehensive requirement mandating CTRs for all currency transactions above a certain threshold amount for all types of financial institutions or designated non-financial businesses and professions (DNFBPs), which limits the ability to track significant financial movements.

Individuals who move cash into or receive cash from outside of Singapore in excess of SGD 20,000 (approximately \$15,100), or its foreign currency equivalent, are subject to a reporting requirement. This threshold was lowered from SGD 30,000 (approximately \$22,700) in September 2014.

Singapore's legal system provides for the investigation and prosecution of money laundering offenses. Singapore has taken steps over the last year to improve its investigation and prosecution of money laundering cases, including foreign-sourced cases. Singaporean police are successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. The significant increase in the number of money laundering convictions in 2013 is attributed to the conviction of persons prosecuted in previous years, and possibly, to the enforcement of new predicate crimes added to the law in 2010 amendments.

Singapore has several double taxation treaties, all of which incorporate the automatic exchange of information. Since 2013, willful tax evasion and tax fraud have been designated predicate offenses for money laundering.

In 2014, Singapore announced it was stopping the issuance of new SGD 10,000 notes (approximately \$7,500) as part of a broader move to strengthen its AML/CFT regime. Large denomination notes are popular with money launderers.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore. Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

Slovak Republic

Criminal activity in the Slovak Republic (Slovakia) is characterized by a high level of domestic and foreign organized crime, mainly originating from eastern and southeastern Europe. Slovakia is a transit and destination country for counterfeit and smuggled goods, auto theft, value-added tax fraud, and trafficking in persons, weapons, and illegal drugs. Many of the same organized crime groups are involved in laundering funds raised from these criminal activities. Trade-based money laundering and possible terrorist financing are concerns. There are no indications that significant funds generated by public corruption are being laundered or used to finance terrorist activities. Slovakia has no offshore or free trade zones. Slovak authorities see the transfer of undeclared cash across borders as a possible money laundering vulnerability. Alternative remittance systems are not known to be widely used in Slovakia.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators, real estate agents and intermediaries, foundations, non-profit organizations (NPOs), non-investment funds, and other special corporations managing and distributing funds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,886 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators, real estate agents and intermediaries, foundations, NPOs, non-investment funds, and other special corporations managing and distributing funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 75 in 2013

Convictions: 12 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

The Slovak Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In December 2013, the Slovak National Bank (NBU) issued three methodical instructions (no. 28/2013, 30/2013 and 34/2013) on the prevention of money laundering which are binding upon all entities that provide investment services and operate pension funds, including collective investment funds, insurance companies, and financial institutions. These instructions detail the procedures necessary to prevent money laundering, as pre-existing regulations did not offer adequate guidance for many practical situations. The new guidance and instructions also provide legal certainty about the criteria applied by the NBU under its regulatory authority.

The NBU instructions provide definitions for “illicit funds” and “laundering,” and highlight the responsibility of relevant entities to develop plans to protect against money laundering and terrorism financing, to raise awareness among employees, and to accurately identify clients and risk profiles. The instructions share best practices regarding the identification and reporting of unusual business operations. The guidance also cites domestic and international documents and recommendations issued by the Slovak Financial Intelligence Unit of the National Police Agency and regional AML/CFT groups.

Slovenia

Slovenia is not a major drug producer, but is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia is aware that Slovenia’s geographic position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counter-narcotics policies. Other money laundering predicate offenses of concern include business and tax fraud.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the Internet or other telecommunications services; pawn shops; providers of credits, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 480 in 2014

Number of CTRs received and time frame: 14,004 in 2014

STR covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the Internet or other telecommunications services; pawn shops; providers of credits, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10: January – June, 2014

Convictions: 4: January – June, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Slovenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no major deficiencies in Slovenia’s key AML/CFT preventive standards. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the AML/CFT regime.

An additional 37 cases were pending prosecution in the first half of 2014.

The Government of Slovenia has systems and procedures in place to facilitate both national and international cooperation. Banks and the Office of Money Laundering Prevention (OMLP), Slovenia's financial intelligence unit (FIU), automatically check names against global blacklists provided by the Central Bank.

The OMLP has a right to stop a suspicious transaction for 72 hours. In that time period, the courts investigate the transaction and decide on its legitimacy. In 2014, this happened in at least seven cases. If the courts also find the transaction suspicious, they can temporarily block funds for three months. In 2014, this happened twice. In Slovenia, law enforcement can only confiscate funds or seize assets related to money laundering under criminal law. During the first half of 2014, the Government of Slovenia temporarily seized assets equaling approximately EUR 1,000,000 (approximately \$1,140,000) as well as miscellaneous properties.

Solomon Islands

Solomon Islands is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. In general, the risk of money laundering and terrorism financing in the Solomon Islands is very low given the country's isolated geographic location and very small community, which precludes anonymity. Corruption continues to be the main source of illegal proceeds. Smuggling, environmental crimes, and the proliferation of counterfeit goods also are problems in the country. A risk assessment conducted by the Solomon Islands Financial Intelligence Unit (SIFIU) found that money laundering is often associated with fraud, illegal logging and fishing, and robbery. Foreign destinations for the laundered proceeds include China, Australia, Malaysia, and Singapore. The SIFIU suspects Asian logging vessels (particularly Malaysian) bring counterfeit currency into the Solomon Islands to finance forestry operations. Customs fraud and tax evasion are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, credit institutions, credit unions, insurance and securities companies, casinos, and bullion dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 49 in 2012

Number of CTRs received and time frame: 22,707 in 2012

STR covered entities: Banks, credit institutions, bullion dealers, credit unions, casinos, and insurance companies and intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Solomon+Islands>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Solomon Islands has enacted several key reforms to strengthen its AML/CFT regime and has taken steps to combat corruption, including the formation of an anti-corruption task force. Yet high level corruption remains a serious problem in the Solomon Islands and one that constitutes a high priority for the government.

The SIFIU lacks capacity and continues to be understaffed, and the Royal Solomon Islands Police Force does not have the expertise and personnel to investigate sophisticated financial crimes. There has been only one successful conviction for money laundering, and no incidents of terrorism financing. The government also lacks the ability to freeze terrorist assets in accordance with UNSCRs 1267 and 1373.

The Solomon Islands should continue to develop its AML/CFT programs and procedures. The government should develop and implement a comprehensive system for the declaration or disclosure of the cross-border transportation of cash. Currently, a declarations system is in place only for passengers traveling by air. This system should be extended to passengers traveling by sea, and applied to postal cargo as well. The Solomon Islands should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Somalia

In September 2013, Somalia and the international community endorsed a New Deal Compact for Somalia that outlines peace- and state-building goals aimed at helping Somalia become more accountable to the people of Somalia and instituting political, financial, health, and security

reforms. The Ministry of Finance (MoF) implemented basic reforms, including appointing a Central Bank Board of Governors and drafting key legislation to improve the transparency of the financial system. In 2014, the African Union Mission in Somalia and the Somali National Army made progress clearing al-Shabaab from large areas of south central Somalia, including the al-Shabaab stronghold port city of Baraawe. The Federal Government of Somalia (FGS) made some progress in drafting key legislation, establishing the foundation for creating federal states, and pursuing regional reconciliation.

Somalia's financial system is generally informal, operating almost completely outside of government oversight, either via the black market or unsupervised remitters and hawaladars. A 2013 Oxfam study pegged remittances at roughly \$1.3 billion per year, mostly sent by the Somali diaspora overseas to their relatives in the Horn of Africa, and mostly through financial centers in the Gulf.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, partly because customs officials lack the capacity to control points of entry. Ransoms are generally spent and/or laundered in northern Somalia, but may also be laundered in neighboring countries, the Middle East, or Europe. Delivery of ransoms reportedly occurs through cash drops to pirates holding ships off Somalia's coast; the money is divided among the pirates themselves, their support networks on shore, and possibly, national or international sponsors. Much of the ransom generally remains in cash. Anecdotal reports suggest that ransoms, sometimes comingled with funds of legitimate origin, may be invested in real estate, luxury goods, and businesses.

While Somalia has taken limited steps to improve transparency in its public financial management, corruption remains endemic and provides opportunities for money laundering. For example, some government officials in Somalia's northern regions of Puntland and Galmudug reportedly benefited from ransoms, and possibly, helped to facilitate ransom laundering or the transfer of ransom money to foreign destinations.

Al-Shabaab remains the most significant terrorist threat to Somalia and the region. This terrorist group raises funds through multiple sources, including donations from Somali and non-Somali sympathizers both inside Somalia and abroad, "taxation" and/or extortion of local businesses and private citizens, kidnapping for ransom, and exploitation of the illicit charcoal trade in southern Somalia. Despite the existing UN ban on the export of charcoal from Somalia, al-Shabaab continues to profit from illegal charcoal exports that may be worth more than \$250 million a year on the international market. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawaladars and other money or value transfer services.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable
Are legal persons covered: *criminally:* Not applicable *civilly:* Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: None

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Somalia is not a member of any FATF-style regional body (FSRB) and has not been subject to a mutual evaluation. Somalia became an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF) in 2014.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Somalia continues to stabilize, the government struggles with weak or non-functional state institutions.

With assistance from the international community, Somalia has begun to identify priority areas for new legislation to develop institutional capacity and create regulatory bodies. As of the end of 2014, however, Somalia has no AML/CFT laws and maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia’s penal code, based on the 1930 Italian penal code, needs extensive revision. The code does not include any provisions or penalties addressing money laundering or terrorist financing. The key obstacles to enacting AML/CFT laws include the federal government’s limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise necessary to draft substantive laws; pressing security threats to the government, including from the continuing al-Shabaab insurgency; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. Parliament also has struggled in political discussions with the FGS on priorities, resulting in delayed passage of legislation. Political infighting between the

president and various prime ministers has distracted FGS officials from pursuing necessary reforms and passing required legislation.

Somalia lacks a formal financial sector, with the exception of informal commercial banks operating without supervision or regulation. Somalia has no functioning government regulatory/supervisory agencies to oversee its financial sector, thereby allowing money transmitters and hawaladars to operate without any customer due diligence or suspicious transaction reporting requirements. In any event, they cannot provide AML/CFT-relevant information to any credible governmental authority. Somalia imposes no financial record-keeping requirements; to the extent that international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards to do business elsewhere in the world. Most money remittance companies, for example, use electronic AML/CFT filter systems which flag possible matches between customers and the individuals and entities on the UN 1267 Sanctions Committee's consolidated list. In May 2013, Barclay's Bank in the UK announced it would close bank accounts held by Somali money transmitters. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, announced in May 2014 that it would discontinue service, but after conducting an AML/CFT investigation, it announced it would continue servicing Somali money transmitters.

The legal system in Somalia consists of traditional courts (*xeer*), as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability. The federal government appointed a new Attorney General in August 2014. The new Attorney General has suspended five of twelve practicing prosecutors due to alleged corruption, and has launched investigations of alleged malfeasance in the Somali Supreme Court of Justice.

In theory, the police are reportedly responsible for investigating financial crimes. The police lack the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The federal government has called on regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

The MoF, and the wider government, struggle to combat corruption and the embezzlement of public funds. The October 2014 Somalia Eritrea Monitoring Group report claims the government misappropriates 70 to 75 percent of its revenue. The report also focuses on the practice of "secret contracting," where the government signs contracts in exchange for signing bonuses. Although the government has made public declarations against corruption, it has yet to implement anti-corruption reforms. Somalia's constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector; Somalia has yet to establish that Commission.

Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries, but has indicated an interest in collaboration. The Central Bank of Somalia has worked with international donors to draft an AML/CFT law, in addition to collaborating with international partners to apply for observer status to the East and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Somalia should continue taking steps to combat corruption, enhance its ability to cooperate with international partners, begin to draft AML/CFT-related legislation, and take all necessary steps to become a member of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although the government has significantly increased the amount of revenue it collects, it lacks the funding necessary to effectively improve government capacity and will continue to rely heavily on donor funds.

South Africa

South Africa's position as the major financial center in the region, its sophisticated banking and financial sector, and its large, cash-based market may make it a target for transnational and domestic crime syndicates. The proceeds of the narcotics trade constitute the largest source of laundered funds in the country. Fraud (advance fee scams, beneficiary maintenance fraud, and deposit refund scams), theft, racketeering, corruption, currency speculation, credit card skimming, wildlife poaching, theft of precious metals and minerals, human trafficking, stolen cars, and the smuggling of goods are also sources of laundered funds. Many criminal organizations also are involved in legitimate business operations. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean, and Indian drug traffickers; Chinese triads; Taiwanese groups; Bulgarian credit card skimmers; Lebanese trading syndicates; and the Russian mafia. Some foreign nationals are using South African nationals, mostly women, to help them send money obtained from illegal activities out of the country. Investment clubs, known as *stokvels*, have been used as cover for pyramid schemes. In some instances, nominee structures have been exploited by criminals who intend to launder illicit funds by mixing those funds with legitimate assets held on someone else's behalf. There is a significant black market for smuggled and stolen goods.

South Africa passed the SEZ Act No. 16 of 2014 to allow the establishment of "Special Economic Zones." The types of zones included under the definition include: "Industrial Development Zones (IDZs)," purpose-built industrial estates that leverage domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services; "Free Ports," duty free areas adjacent to a port of entry where imported goods may be unloaded for value-adding activities; "Free Trade Zones," duty free areas offering storage and distribution facilities for value-adding activities; and "Sector Development Zones," zones focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, and technical and business services primarily for the

export market. Currently, South Africa operates IDZs. Imports related to manufacturing or processing in the zones are duty free, provided the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, Saldanha Bay, Durban Dube trade port, and Johannesburg International Airport. The South African Revenue Service implements customs controls for these zones. Other new Special Economic Zones are under development.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 355,369: April 1, 2013 - March 31, 2014
Number of CTRs received and time frame: 6.17 million: April 1, 2013 - March 31, 2014
STR covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

South Africa is a member of the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/southafrica/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of South Africa's AML/CFT regime represents a solid legal and regulatory framework for countering illicit finance. Over the last few years, the Financial Intelligence Centre (FIC), South Africa's financial intelligence unit (FIU), has been working to enhance its effectiveness by providing investigators and prosecutors with high-quality, timely, and actionable financial intelligence. In 2013, the FIC submitted a bill to amend the FIC Act to the Ministry of Finance. The proposed amendments are still under review. The intent of the amendments is to move South Africa toward a risk-based approach (RBA). South Africa's focus on the RBA is designed to target high-impact cases involving large amounts of money and greater numbers of criminals.

During 2013/14, the FIC referred cases valued at R8.6 billion (approximately \$860 million) for further investigation. The FIC's outreach efforts have resulted in a 140 percent increase in the number of suspicious transaction reports (STRs) received from mid-2013 to mid-2014, as compared with the previous twelve month period. FIC intelligence products highlight a range of suspected criminal activities, led by tax-related crime, fraud, and money laundering. The FIC initiated and referred 883 matters to law enforcement authorities. South Africa provides technical assistance to other countries in the region in the areas of FIU analytical capability and asset forfeiture and confiscation.

While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge in conjunction with other, predicate offenses. Accordingly, the government does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

The National Prosecuting Authority (NPA) and the South African Police Service (SAPS) received asset forfeiture training in 2014. The SAPS is working with international partners to build financial investigative capacity to better assist the Asset Forfeiture Division of the Directorate of Priority Crime Investigations. Asset forfeitures are increasing in South Africa, and they will further increase if law enforcement agencies more aggressively pursue non-conviction-based seizures to disrupt criminal syndicates.

South Africa should continue to implement its initiatives to promote financial inclusion and its application of the RBA, and enhance the effectiveness of the FIC. South Africa should continue to develop cooperation among the NPA, the SAPS, and the FIC to increase the number of successful prosecutions. The government also should work to improve its law enforcement and prosecutorial capacity and ensure the relevant AML/CFT authorities generate and report statistics in line with international standards.

South Sudan

Intra-governmental fighting, which broke out on December 15, 2013, continued throughout the year despite signed agreements between the government and opposition to cease hostilities. The effects of the fighting will be evident for some time on the economy. South Sudan borders a number of jurisdictions in various states of conflict or lacking strong authorities. While the Republic of South Sudan had begun to develop prior to the outbreak of civil conflict, much

remains to be accomplished in this fledgling state. The country has a cash-based economy, with a small, poorly developed financial system. Corruption is widespread in this oil rich state; therefore, it is difficult to determine the extent and degree of financial crime. Lacking an AML/CFT regime and possessing long, porous borders, South Sudan is vulnerable to exploitation by criminals of every type, including those seeking overland routes for bulk cash smuggling and those wishing to perpetrate other forms of financial crime. Reports of money laundering by Somali nationals through foreign exchange bureaus in South Sudan are persistent, though unconfirmed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civily:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; cash dealers; accountants; dealers in precious metals and stones; regulators; customs officers; attorneys, notaries, and other independent legal professionals; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; cash dealers; accountants, real estate agents; dealers in precious metals and stones; regulators; customs officers; attorneys, notaries, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

South Sudan is not a member of a FATF-style regional body (FSRB). It has not undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

South Sudan does not yet have sufficient laws, regulations, or enforcement capacity in place to address financial crime. Although the Republic of South Sudan criminalized money laundering in March 2012, no enabling regulations or steps toward implementation have been put in place. The law contains suspicious transaction reporting and KYC provisions; however, no such programs have been implemented. South Sudan's work to address capacity issues generally, including anti-corruption initiatives, has largely ceased due to donor pull-back related to the conflict. Money laundering and terrorism financing, which had only recently been part of the government's agenda, have not moved forward. Despite the criminalization of money laundering, no dedicated law enforcement mechanisms exist with sufficient capacity and will to combat financial crime in general. A segment of the South Sudanese security forces has been tentatively identified to investigate financial crimes, but lacks staff and training in financial investigations and law enforcement procedures. The judiciary is significantly understaffed and continues to transition, adopting a common law system and harmonizing its legal system with customary law. There are no courts or prosecutors currently assigned to work specifically on financial crimes.

The government does maintain, in name only, the South Sudan Anti-Corruption Commission (SSACC), which is an autonomous and impartial body. Among other duties, the SSACC has a mandate to investigate cases of corruption with a view to protecting public property and combating administrative malpractices in public institutions. SSACC has a valid mandate, but is operationally unsophisticated and unskilled.

The Bank of South Sudan continues to artificially support the official exchange rates of the South Sudanese pound, leading to a parallel exchange rate that those with access to dollars, including government officials, exploit for profit. Following a decision of the National Legislative Assembly to investigate the foreign exchange black market, allocations to and use of the foreign exchanges are monitored more closely and it is likely that a smaller percentage of the funds is being sold in the black market. Access to foreign currency for the typical small business operator is primarily through the black market at the parallel market exchange rate, which in turn translates to the prices of imported goods being based on that rate. Similarly, the majority of the population requiring foreign currency must resort to the black market. The owners and management of banks and forex bureaus have benefitted the most from the parallel market in previous years. Currently, it seems government officials are the biggest beneficiaries of this inefficient system.

There are reportedly 28 licensed banks and approximately 84 foreign exchange bureaus in South Sudan. A significant number of banks, especially those licensed in the last two years, operate only in the foreign exchange area, providing access to foreign currency (subject to the allocations from the central bank) and international payments, and offering local currency current accounts. Without the foreign currency allocations, their survival is questionable. For most of 2014, the Bank of South Sudan did not formally allocate foreign currency to forex bureaus. Similarly, in the first ten months of 2014, the allocations to the banks were at about half of the amount of the \$1.3 million allocated in the previous year. Furthermore, almost the full amount of those foreign currency allocations was earmarked for the customers and

transactions already approved by the Bank of South Sudan. Effectively, the financial institutions were only used as outlets to disburse foreign currency, allowing them to earn a small margin and the Bank of South Sudan to avoid reporting any transactions with the public on its books.

Since August 2014, the forex bureaus began to receive their normal allocations that they can sell to the general public according to the same rules as in the previous years. The majority of the available foreign currency has been provided to the selected government institutions to operate the so-called Lines of Credit, under which certain approved importers are allowed to purchase foreign currency for their planned import of essential goods (mainly fuel, food, and medication). It is believed some of the funds were channelled through bogus importers to the black market.

There is strong resistance to changing the official exchange rate and the Bank of South Sudan management is unlikely to pursue this issue in the near future. The Government of South Sudan should solicit AML/CFT-related technical assistance from international donors, subject itself to a mutual evaluation, combat corruption, and seek membership in an FSRB.

Spain

Spain is proactive in identifying, assessing, and understanding its money laundering risks and has effective mechanisms in most areas to mitigate these risks. There are a range of money laundering risks as Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and Central and South America. The most prominent means of laundering money are through the purchase and sale of real estate; the use of complex networks of companies and legal arrangements; the exploitation of money or value transfer services; and the use of cash couriers.

The major sources of criminal proceeds are related to drug trafficking, organized crime, customs offenses, human trafficking, counterfeit goods, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; money exchangers or transmitters; realty agents; dealers in precious metals, stones, antiques, and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,025 in 2013
Number of CTRs received and time frame: 801,267 in 2013
STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents, and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64 in 2013
Convictions: 116 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various threat finance vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections;

the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as small convenience stores and communication centers that often offer wire transfer services, are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community. While AML/CFT supervision of banks appears to be robust, significant gaps regarding the identification of unlicensed operators, and the supervision of money or value transfer services operating under EU passporting rules remain. In May 2014, Spain approved regulations to implement its 2010 AML/CFT law.

Spain has a complex network of law enforcement agencies and intelligence services, including specialized units focused on money laundering, which are part of the Ministry of the Interior. Two national police forces, the National Police and the Civil Guard, have the authority to investigate all crimes nationwide and handle immigration matters.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. Carrying more than 100,000 euros (approximately \$122,000) in cash within the country is subject to disclosure. If the authorities discover an amount larger than that, they can seize and hold it until an administrative economic sanction is provided. In 2013, 21 million euros (approximately \$25.5 million) were seized in 667 interventions, and 8 million euros (approximately \$9.7 million) in penalties were imposed. Cash transactions between businesses and professionals are restricted to less than 2,500 euros (approximately \$3,040). Failure to comply with the restrictions can result in an administrative fine equivalent to 25 percent of the total value of the payment.

Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries. Moreover, even when no criminal punishment is imposed because the person is exempted from criminal accountability, such as by a statute of limitations, forfeiture may still be ordered in a criminal case if there is sufficient evidence of the illegal source of the assets. Finally, there is presumption of forfeiture for assets that are disproportionate in relation to the revenue lawfully obtained by persons who have been found guilty of terrorism offenses or felonies committed within a criminal or terrorist organization or group even if there is no conviction for the underlying offense generating those proceeds.

Spain is currently implementing Article 43 of its AML/CFT Law that creates a “Financial Ownership File,” a database that will have the date of account opening, the name of the account holder, the name of the beneficial owner, the name of the financial institution, and the branch location for all bank and securities accounts in Spain. The database is housed at the Bank of Spain, but will be under the control of the FIU, and will be available to law enforcement. All specified financial institutions will be required by law to provide the prescribed database information at regular intervals. It should be fully operational by 2016, but since 2013 has been in a pilot stage involving nine major Spanish bank conglomerates.

A number of different types of money laundering cases have been prosecuted, including those involving third party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises

and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions actually imposed for money laundering offenses is a weakness, as is the limited capacity to handle complex money laundering cases in the judicial system in a timely fashion.

Sri Lanka

Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. Nevertheless, the lack of transparent tender mechanisms in government projects, past experience with terrorism, tax evasion, and a large informal economy make the country vulnerable to money laundering and terrorism financing. Terrorism financing activity, by all accounts, has diminished significantly since the end of Sri Lanka's civil war in 2009. Local authorities report that drug trafficking, primarily of heroin, is becoming an increasing problem.

There does not appear to be a significant black market for smuggled goods in the country. Legal remittance flows through the formal banking system have increased sharply in recent years, reaching \$6.4 billion in 2013. Remittances originate primarily from Sri Lanka's substantial overseas workforce. According to local authorities, these funds are processed largely through the banking system, and therefore, do not present serious money laundering concerns. The Sri Lankan government's Board of Investment regulates the 12 free trade zones (FTZs) in Sri Lanka. FTZs employ strict access and customs controls with no reported incidences of suspicious transactions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 498 in 2013
Number of CTRs received and time frame: 3.8 million in 2013

STR covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, accountants, and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Sri Lanka is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=4>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The primary barriers to stronger enforcement of Sri Lanka's AML/CFT laws appear to be inadequate judicial resources and a lack of financial crime investigative experience. While about 10 money laundering and terrorist financing-related cases have been filed by Sri Lanka's Attorney General in the past few years, all cases are still pending.

There have been no criminal indictments which relate to money laundering facilitated by public corruption. Investigation of public corruption-related money laundering is hindered by the fact that corruption cases are investigated and prosecuted by the Bribery Commission under bribery law, while money laundering charges are prosecuted by the Attorney General. Sri Lanka should develop a mechanism for these agencies to work more closely, given that corruption generates illicit funds that are laundered.

The Government of Sri Lanka is concerned the Liberation Tigers of Tamil Eelam's (LTTE) international network of financial support is still functioning. In March 2014, the government adopted UNSCR 1373 and issued a notification listing 16 groups and over 400 individuals as terrorists connected to the LTTE. These organizations and individuals are based in several countries, including the United States, Canada, U.K., Norway, Italy, Switzerland, France, and Australia. The notification states that all funds, assets, and resources belonging to these entities should be frozen. The order also prohibits Sri Lankan nationals from maintaining links or contacts with members of the proscribed organizations and prevents them from obtaining funds from them for activities in Sri Lanka.

The magnitude of alternative remittance systems is not known, but the Colombo Fraud Bureau has examined illegal money transfer agencies popularly known as *undiyals* in localities in and around Colombo. Many of these money transfer agencies have been involved in the transfer of illicit funds.

Although AML/CFT laws cover designated non-financial businesses and professions, such as casinos and gem dealers, no regulator has issued KYC or currency reporting policies covering these entities. These entities are not required to maintain customer information or report suspicious activity.

St. Kitts and Nevis

St. Kitts and Nevis (SKN) is a federation composed of two islands in the eastern Caribbean. The AML/CFT legislation is at the federation level and covers both St. Kitts and Nevis; however, each island has the authority to organize its own financial structure and procedures. Therefore, in St. Kitts there are acts governing companies, limited partnerships, foundations, and trusts that are registered in St. Kitts, while in Nevis there are Ordinances that govern corporations, limited liability companies, trusts, and multiform foundations. Most of the offshore financial activity is concentrated in Nevis.

Saint Kitts and Nevis remains susceptible to corruption and money laundering because of the high volume of narcotics trafficking around the islands. The growth of its offshore sector coupled with unusually strong secrecy laws also remains problematic. An inadequately regulated economic citizenship program further contributes to the federation's money laundering vulnerabilities.

SKN's monetary authority is the Eastern Caribbean Central Bank (ECCB), and the SKN's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. The ECCB has direct responsibility for regulating and supervising the entire domestic sector of SKN and the offshore banks in Nevis, and for making recommendations regarding approval of offshore banking licenses. By law, all offshore banks are required to have a physical presence in the federation; shell banks are not permitted.

There is a limited amount of information on the exact number of financial entities in the federation. Using the most detailed listing given in 2010, St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies, and over 2,100 companies and foundations. The same listing reveals that Nevis had over 11,000 international business companies (IBC), 4,200 limited liability companies, over 1,000 trusts, and over 110 insurance companies. Nevis can form an IBC in less than 24 hours, and bearer shares are allowed though "discouraged." Internet gaming entities must apply for a license as an IBC.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* No
KYC covered entities: Money brokers, exchanges, and lenders; charities and other non-profit organizations (NPOs); pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 107: January - October 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Money brokers, exchanges, and lenders; charities and other NPOs; pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

St. Kitts and Nevis is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=335&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government reports no significant development in the passage of enforcement legislation in 2014. Law enforcement appears competent; however, there are still no guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance. SKN’s legislation incorporates provisions for civil penalties; however, they are applied in an unreliable manner and do not apply to all pertinent financial sectors. 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 as well as the certificate’s beneficial owner.

The economic citizenship program remains unchanged. An individual is eligible for citizenship with a \$350,000 minimum investment in real estate. The government created the Sugar Industry Diversification Foundation, after the closure of the federation's sugar industry, as a special project approved for the purpose of citizenship by investment. To be eligible, an applicant must make a contribution ranging from \$200,000 to \$400,000 (based on the number of the applicant's dependents). Applicants must make a source of funds declaration and provide evidence supporting the declaration. According to the government, the Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process. There remains little or no information on the effectiveness of this unit's oversight, despite urging for increased oversight from the United States.

Nevis remains problematic in financial oversight due to the allowance of anonymous accounts, secrecy laws, and overall lack of transparency of beneficial ownership of legal entities. The ambiguous regulatory framework regarding customer due diligence makes Nevis a desirable location for criminals to conceal proceeds.

The Government of St. Kitts and Nevis should focus on addressing these problematic issues. St. Kitts and Nevis must work toward transparency and accountability in financial regulation. Specifically, it must determine more precisely the exact number of Internet gaming companies present on the islands and provide the necessary oversight of these entities. The government should ensure all relevant entities covered under the AML/CFT laws and regulations are subject to sanctions that are proportionate and dissuasive. SKN should provide for close supervision of its economic citizenship programs and be transparent in reporting monitoring results.

St. Lucia

Illicit trafficking by established organized crime rings remains a serious problem for the Government of Saint Lucia. A majority of money laundering is primarily related to proceeds from illegal narcotics trafficking. Domestic and foreign criminal elements are responsible for illicit proceeds laundered in Saint Lucia. It is suspected that financial institutions unwittingly engage in currency transactions involving international narcotics trafficking proceeds.

There is a free trade zone where investors can establish businesses and conduct trade and commerce outside of the National Customs territory. Activities may be conducted entirely within the zone or between the St. Lucia free zone and foreign countries.

There remains a substantial black market for smuggled goods in St. Lucia, mostly gold, silver and other jewelry, predominantly smuggled from Guyana. There is a black market in high-quality jewelry purchased from duty free establishments in St. Lucia by both local and foreign consumers. Monies suspected to be derived from drug trafficking and other illicit enterprises are filtered into and washed through trading firms. Trade-based money laundering is evident in St. Lucia.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler’s checks and bankers’ drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 173 in 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and Internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler’s checks and bankers’ drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

St. Lucia is a member of Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=334&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cooperation has increased between the Royal St. Lucia Police Force and the Financial Investigations Authority (FIA), and there is a robust approach to cash seizures and forfeitures. In 2014, seven cash forfeiture cases totaled approximately \$346,000. There are many early-stage cash seizure cases pending due to a general lack of understanding of the cash seizure/forfeiture process among the police and courts. The Government of St. Lucia should improve investigative capacity within the police and courts to prosecute cash seizure and forfeitures cases expeditiously and successfully.

The Customs and Excise Department is routinely confronted by false declarations, false invoicing, and fraudulent evasion of duties and taxes on goods. Law enforcement and customs authorities should be given training on how to recognize and combat trade-based value transfer, which could be indicative of both customs fraud and money laundering.

St. Maarten

Sint Maarten (St. Maarten) is an autonomous country within the Kingdom of the Netherlands. St. Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance. Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics trafficking. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity to other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. Many hotels operate casinos on the island and online gaming is legal and subject to supervision.

St. Maarten's favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. They invested their money in large scale real estate developments, including hotels and casinos. In certain cases the source of the money is considered dubious. In St. Maarten, money laundering of criminal profits occurs through business investments, and international tax shelters. Its weak government sector is vulnerable to integrity-related crimes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,281: January – November, 2013
Number of CTRs received and time frame: 1: January – August, 2013
STR covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Ordinance Reporting Unusual Transactions establishes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor’s office.

In 2014, St. Maarten’s FIU, the MOT, became a member of the Egmont Group of FIUs.

In 2014, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, St. Maarten currently faces a substantial shortcoming in accountability that is largely attributable to a lack of enforcement across a full spectrum of integrity-related laws, policies, and procedures.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. The local container facility plays an important role in the region. Larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding St Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to St. Maarten. As part of the Kingdom of the Netherlands, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to St. Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten. The UN Convention against Corruption has not yet been extended to St. Maarten.

St. Vincent and the Grenadines

Saint Vincent and the Grenadines (SVG) remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. The set of islands remains a small but active offshore financial center with a relatively large number of international business companies (IBCs). United States currency is often smuggled into the country via couriers, go-fast vessels and yachts.

Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from within the Caribbean region. Money laundering occurs in various financial institutions, such as domestic and offshore banks and through money remitters.

The offshore sector includes four offshore banks, 6,905 IBCs, 433 continued IBCs, four offshore insurance companies, 126 mutual funds (fund managers and administrators), 16 registered agents, and 123 international trusts. There are no offshore casinos and no Internet gaming licenses. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. The regulatory body with the mandate to supervise the offshore financial sector is the International Financial Services Authority. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business.

Bearer shares are permitted for IBCs, but not for banks. The Government of St. Vincent and the Grenadines requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. There are no free trade zones in SVG.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, traveler's checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 751: January 1 – November 1, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, traveler's checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

SVG is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=333 &Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=333&Itemid=418&lang=en)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime Act, No. 38 of 2013 was passed in Parliament in December 2013 and proclaimed on April 9, 2014. The Act repeals and replaces the Proceeds of Crime and Money Laundering (Prevention) Act, No. 39 of 2001 [CAP 181] and consolidates and updates the law relating to restraint and confiscation. New provisions on non-conviction based confiscation have been introduced as part of the new law.

The Anti-Money Laundering and Terrorist Financing Regulations of 2014 came into force on August 7, 2014. These regulations replace the Proceeds of Crime (Money Laundering) Regulations and are updated to reflect changes in the new Proceeds of Crime Act and soon-to-be-implemented Anti-Terrorist Financing and Proliferation Bill, 2014.

The government should become a party to the UN Convention against Corruption. It also should adopt a provision to provide financial institutions and their employees who file STRs in good faith with protection against civil or criminal liability.

Sudan

Sudan has been designated a State Sponsor of Terrorism by the United States. In November 1997, the United States imposed comprehensive economic, trade, and financial sanctions against Sudan, which have limited Sudan's access to international financial markets and institutions. Following the Treasury Department's fine on BNP Paribas for sanctions violations in July 2014, most banks in Saudi Arabia, the Arab Gulf states, and Europe ceased processing financial transactions from Sudan or with Sudanese banks.

The trafficking of narcotics is a source of concern, especially with the increase of smuggling operations across the extended land and sea borders of Sudan. Traders and legitimate business persons often carry large sums of cash because Sudan is largely a cash-based society and electronic transfer of money outside of Sudan is challenging. This dependence on cash complicates enforcement and makes Sudan's banking system vulnerable to money laundering. Comprehensive sanctions also contribute to a significant black market for smuggled goods and informal hawala money remittance and value transfer systems. Sudan is vulnerable to trade-based money laundering. Corruption is widespread and facilitates criminal activity and money laundering.

Sudan has two free trade zones (FTZs) and preliminary agreements with China, Eritrea, and Ethiopia for additional FTZs. There are no known money laundering or terrorism financing activities through these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 89: January 1 - November 20, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/MER/MER_Sudan_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sudan's links with international terrorist organizations contributed to its 1993 designation as a State Sponsor of Terrorism. The Government of Sudan has continued to assert it is bolstering its efforts to combat money laundering and other financial crimes since money laundering was criminalized in 2003.

Money Laundering and Financial Crimes

Sudan adopted the Money Laundering and Terrorism Financing Act (MLFTA) in June 2014. The Central Bank of Sudan (CBOS) and the Financial Intelligence Unit (FIU), an independent entity within the CBOS, are mandated to implement the MLFTA. It is not clear whether all of the implementing regulations for MLFTA are enforceable. Furthermore, although the SudaPost and financial leasing companies are subject to reporting and KYC requirements, it is not clear the law is actually applied to those entities.

In April 2014, the FIU disseminated a manual on how to detect money laundering and terrorism finance to the nation's auditors and accountants. The guide also explains how relevant parties could report suspicious activities and file legal complaints with the FIU. In late May 2014, the FIU joined with the Khartoum Stock Exchange to set up a special unit within the Stock Exchange to combat money laundering and terrorism financing. The unit is to submit regular reports on stock trading to the FIU in accordance with the MLFTA and related statutes.

In 2014, the FIU referred nine suspected cases of money laundering to the Ministry of Justice's Office of Public Prosecution. The Government of Sudan has limited investigative capacity, and enforcement can be subject to political pressures, with many government officials involved in business. In early May 2014, the President issued a presidential decree ordering the confiscation of the official and diplomatic passports of 16 senior central and state government officials, including former petroleum minister Dr. Awad al-Jaz and Central Bank of Sudan Governor Dr. Mohamed Khair al-Zubair, following allegations they were involved in corruption schemes. The decree banned them from traveling abroad to escape prosecution. The Financial Disclosure Commission and the Unlawful and Suspicious Enrichment Administration address corruption.

In early September 2014, the director of the Central Bank's Preventive Supervision Department disclosed that 15 alleged cases of money laundering involving three Sudanese banks under CBOS supervision were discovered. According to the same department, 16 percent of banking institutions in Sudan are not subject to the laws and procedures prohibiting money laundering and terrorism financing.

In 2012, Sudan and South Sudan signed a series of cooperation agreements that include agreements on banking and trade; these agreements have yet to be implemented. Because of the lack of an exchange policy with South Sudan, large volumes of cash transactions, usually employing a third currency, are commonplace and have overwhelmed attempts to police the nature of the dealings. The preclusion of many credit card transactions due to the U.S. sanctions regime also contributes to the volume of large cash transactions.

On September 5, 2014, Sudan became a party to the UN Convention against Corruption.

With active rebellions in a large part of the country; multiple internal conflicts, both within and without the ruling party; strained relations with the Republic of South Sudan; and a deteriorating economy, Sudan is not expected to give money laundering investigations or prosecutions a high priority. Sudan should implement adequate procedures for identifying and freezing terrorist assets and ensure an effective supervisory program for AML/CFT compliance for all entities covered under the law. The Government of the Sudan should focus on full implementation of

the MLFTA and on establishing and empowering effective enforcement institutions, particularly the FIU.

Suriname

Money laundering in Suriname is closely linked to transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. According to local media reports, both domestic and international drug trafficking organizations are believed to control most of the laundered proceeds, which are primarily invested locally in casinos, real estate, foreign exchange companies, the construction sector, and car dealerships. Public corruption also may contribute to money laundering, though the full extent is unknown. The large profits from increasing small-scale gold mining and the industries that support it 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.

Goods, from agricultural products to fuel and medicine, are smuggled into the country via Guyana and French Guiana and are sold below the normal price for similar goods imported legally. Other goods are smuggled into the country mainly to avoid paying higher import duties. There is little evidence to suggest this activity is significantly funded by narcotics or other illicit proceeds. Contraband smuggling does not likely generate funds that are laundered through the financial system, though there are indications that trade-based money laundering occurs, generally through the activities of local car dealerships, gold dealers, and money exchange businesses (*cambios*). Money laundering takes place in the formal financial sector, including through banks and *cambios*.

There is no evidence of terrorism financing. Financial institutions do not facilitate movements of currency derived from illegal drug sales in the United States; local drug sales of cocaine in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges;

auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Suriname is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/suriname-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Suriname has a legal framework in place to combat money laundering; however, enforcement remains weak and inconsistent. Inadequate training, government corruption, and an overall lack of resources significantly diminish the government's investigative and prosecutorial abilities, as local institutions and personnel lack the capacity to fully enforce the law and its attendant regulations. Historically, a lack of political will prevented aggressive enforcement.

Customs, located within the Ministry of Finance, is known as a particularly corrupt organization, which can facilitate trade-based money laundering. In 2014, the government continued plans to switch from the outdated Automated System for Customs Data v2.7 (ASYCUDA) to the ASYCUDA WORLD system. The new system acts as a single window application limiting time to receive the required import and export permits and documents from different agencies.

The government does not reveal reporting, investigation, or prosecution statistics. In September 2014, the Ministry of Justice and Police Unusual Transactions Unit completed a physical move to a new building.

In May 2014, the government adopted an International Sanctions framework in line with UN Resolution 1373. This law offers the possibility of freezing assets as a measure to combat threats or disruption of international peace and security. The other measures of UN Resolution 1373 are

incorporated in the Surinamese Criminal Code, Firearms Act, and Unusual Reporting Transactions Act.

The Government of Suriname should ensure covered entities are subject to adequate supervision and enforcement programs, and make additional efforts to ensure border enforcement. To help measure the effectiveness of its AML/CFT regime, the government should compile and release the number of financial intelligence reports filed by mandated reporting entities as well as the number of money laundering prosecutions and convictions. The Government of Suriname should become party to the UN Convention against Corruption.

Swaziland

The Kingdom of Swaziland is not considered a regional financial center. The financial sector in the Kingdom is small and dominated by subsidiaries of South African financial institutions. The small size of the country, the limited capacity of its police and financial regulators, and its proximity to major cities in Mozambique and South Africa make it a transit country for illegal operations in those countries and, to some extent, for the rest of the Southern African region. Large sums of money are moved via cross-border transactions involving banks, casinos, investment companies, and savings and credit cooperatives. Proceeds from the sale or trade of marijuana, a large illicit export, are laundered in Swaziland. Income from public corruption, particularly in public procurement, is also laundered in Swaziland. Cash gained from illegal activities is sometimes used to buy commercial goods and to build houses on non-titled land.

There is a significant black market for smuggled consumer goods, such as cigarettes, liquor, and pirated CDs and DVDs, transited across the porous borders of Mozambique, South Africa, and Swaziland. There is a general belief that trade-based money laundering exists in Swaziland. Human trafficking is widespread. Swazi officials believe the Kingdom to be at little risk of terrorism financing.

The Common Monetary Area provides a free flow of funds among South Africa, Swaziland, Lesotho, and Namibia, with no exchange controls. Cash smuggling reports are informally shared on the basis of reciprocity among the relevant host government agencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, securities firms, real estate brokers, cooperatives, provident fund managers, and insurance brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 19 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities firms, and pension funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=223

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last few years, Swaziland has taken several steps to establish an AML/CFT regime. In 2014, the AML task force met regularly and agreed to several legal reforms that affect money laundering. One of these proposed amendments is the implementation of cash transaction limits that would require reporting to the FIU. In addition, the AML task force supports a change in the law to require the reporting of cross-border movements of cash. In 2014, the government did implement regulations allowing for the freezing of assets by the financial intelligence unit (FIU) for five days without a court order, after which a court order is required to continue freezing assets. The now fully operational FIU continues to expand and assert its independence. In 2014, the FIU secured funding for six new positions including two compliance officers, two analysts, and an information technology security officer, and secured a lease for the organization, which currently occupies office space in the Central Bank of Swaziland.

The Royal Swaziland Police Service (RSPS) and the Kingdom's Anti-Corruption Commission (ACC) are the two main law enforcement agencies charged with investigating money laundering offenses. The Swaziland Revenue Authority (SRA) is involved in the reporting and investigation of certain financial crimes. The RSPS is charged with investigating terrorism financing offenses. According to Swazi officials, RSPS officers require additional training and capacity to be adequately prepared to investigate both money laundering and terrorism financing cases. Significant weaknesses exist in the capacity to investigate and collect evidence for money laundering crimes, which results in prosecutors' inability to pursue a case.

The government should work to ensure the proposed legislative reforms are passed by Parliament in 2015. The government also should take steps to increase the capacity of police and investigative agencies to improve the effectiveness of money laundering investigations and prosecutions and should work to improve the production and reporting of relevant AML/CFT statistics.

Sweden

Sweden is not a regional financial center. Money laundering in Sweden generally occurs through individuals who use the financial system to turn over illicit funds or with the help of corporations that use financial services. Money laundering is further facilitated by criminals having contacts or acquaintances within, or influence over, corporations and actors within the financial system. Laundered money emanates from sales of narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in large urban regions, such as Stockholm, and is frequently conducted over the Internet, utilizing international money transfer services, gaming sites, and narcotics and illicit chemical vending sites. Suspicious transaction reports (STRs) generally do not reference organized crime, although it is a growing concern. Public corruption is not an issue in Sweden.

Sweden does not have an offshore financial center. Sweden provides no offshore banking and does not readily attract foreign criminal proceeds as it does not have especially favorable banking regulations. There is not a significant market for smuggled goods in Sweden; however, the Swedish police consider the smuggling of bulk cash to be a problem. Sweden is a member of the EU, and money moves freely within the EU.

Sweden has foreign trade zones with bonded warehouses in the ports of Stockholm, Göteborg, Malmö, and Jönköping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a zone. The same tax and labor laws apply to the zones as to other workplaces in Sweden.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; insurance companies; securities firms; currency exchange houses, providers of electronic money, and money transfer companies; accounting firms; law firms and tax counselors; casinos, gaming entities, and lottery ticket sales outlets; dealers of vehicles, art, antiques and jewelry; and real estate brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 11,185 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Accountants; tax advisors; lawyers; real estate agents; casinos; banks; life insurance companies and insurance brokers; securities and fund companies; issuers of electronic money; and dealers of high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Sweden is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofsweden.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The new Act on Penalties for Money Laundering Offenses entered into force on July 1, 2014. The new Act comprises provisions on money laundering offenses and on the seizure and forfeiture of laundered property. The criminalization covers self-laundering, and the attempt, preparation, and conspiracy to commit a money laundering offense, as well as complicity (aiding, abetting, facilitating, and counselling the commission of the offense). Prohibition on disposal of property is also included in the new Act, as is the temporary freezing of suspicious transactions in urgent cases. Previously, predicate crimes were prosecuted, but not money laundering itself. Most often, money laundering was prosecuted as tax evasion if no other direct connection to crime was found.

The Swedish Financial Authority oversees compliance with current reporting regulations. In 2014, the Swedish Financial Authority launched an investigation of the major Swedish banks regarding their handling of suspected money laundering and terrorist financing; the examination is expected to be completed in the spring of 2015. According to statistics from the Swedish Finance Police, the volume of suspicious transactions exceeded SEK 20 billion (approximately \$2.48 billion) in 2013.

Although EU regulations call for the reporting of cash entering and leaving the EU, the Swedish financial intelligence unit believes the number of individuals who declare these transfers falls short of the real number carrying reportable amounts. In terms of volume, Swedish authorities reported that, in 2013, the most popular destinations for money leaving Sweden were Nigeria,

Ghana, the Philippines, and Turkey; while money most frequently entered Sweden from the U.S., China, Iran, and Thailand.

Switzerland

Switzerland is a major international financial center. The country's central geographic location; political neutrality; relative social and monetary stability; sophisticated financial services sector; role as a global commodities trading hub; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success as a major international financial center, while also making Switzerland a prime target for money laundering abuse.

Reports indicate that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide, including financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorism financing, and corruption. Although Swiss actors launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While casinos are generally well regulated, there are concerns they are being used to launder money. One possible method involves the structuring of cash purchases of casino chips to avoid reporting requirements, with subsequent chip redemption for checks/wire transfers drawn on casino bank accounts. Corrupt casino employees also are known to have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; investment companies; insurance companies; casinos; financial intermediaries; commodities traders, and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,411 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; casinos; financial intermediaries; and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,116 in 2013

Convictions: 234 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/switzerland/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Within Switzerland, there is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. Swiss authorities should take steps to regulate these sectors.

Sports associations like the International Federation of Association Football (FIFA) or the International Olympic Committee are not businesses but associations. They do not pay taxes and, as associations, are exempt from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change applicable laws with respect to these organizations, many of which are suspected of corruption.

Persons physically transferring money worth more than \$10,600 into or out of Switzerland need to be able to specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

The number of STRs decreased by 11 percent from 2012 to 2013, encompassing a total of \$3.2 billion (down from \$3.4 billion in 2012). In 2013, 33 reports were related to terrorism finance, amounting to \$485,000.

Bearer shares, which are still common in Switzerland, should be abolished to improve transparency.

Syria

Syria is not an important regional or offshore financial center. Current information on Syria's financial situation is not readily available, but prior to widespread civil unrest beginning in 2011,

only 20 percent of Syria's population used formal banking services, although private sector banks' market penetration was growing rapidly. However, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services were used considerably less in 2012. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

A lack of control and authority by the Syrian regime over significant parts of the country, a lack of necessary legislation and poor enforcement of existing laws contribute to significant money laundering and terrorist financing vulnerabilities in Syria's banking and non-bank financial sectors. Estimates of the volume of business Syrian money changers conduct in the black market range between \$15 and \$70 million per day. Syria's borders are porous and many are currently controlled by the Islamic State of Iraq and the Levant (ISIL), a designated terrorist organization. Furthermore, regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism.

The United States has designated Syria as a State Sponsor of Terrorism. In addition, in March 2011, the Syrian regime began a violent crackdown against protestors, which included widespread human rights violations. As a result, the United States, the European Union, Arab League and individual nations imposed sanctions against individuals, entities, and corporations assisting the regime's crackdown. Since April 29, 2011, the United States has undertaken sanctions on individuals enacted through Executive Orders 13572, 13573, 13582, 13606, and 13608. Several subsequent rounds of sanctions have continued and have targeted the Commercial Bank of Syria (CBS), the Real Estate Bank, Syrian Lebanese Commercial Bank (SLCB), Central Bank of Syria, Syrian International Islamic Bank, and U.S. dealings with the Syrian petroleum industry.

In May 2004, the U.S. Department of Treasury found the CBS, along with its subsidiary, the SLCB, to be financial institutions of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its SLCB subsidiary.

After suspending Syria's membership on November 12, 2011, the Arab League approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The FATF first included Syria in its Public Statements in June 2011 for Syria's continuing failure to adequately implement its action plan to address noted AML/CFT deficiencies. In June 2014, the FATF removed Syria from its Public Statement after determining that Syria had substantially addressed its action plan, including by criminalizing terrorist financing and establishing procedures for freezing terrorist assets.

There are eight public free trade zones (FTZs) in Syria. Iran had announced plans to build FTZs in Syria; however, it later dropped this idea in favor of pursuing a free trade agreement. China's free zone in Adra was officially inaugurated in 2008; as many as 325 businesses have been established in Adra to date. In October 2014, Syria also submitted an application to establish a FTZ with Russia. As of 2012, the annual volume of goods entering the FTZs was estimated to be in the billions of dollars and was growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification, or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act and a number of UNSCRs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, traveler's checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available

STR covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, traveler's checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money changers and other money/value transfer services remain largely unregulated. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services, while other smuggling attempts to evade the regime's crackdown on protesters. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs has started to enact some limited reforms, including the computerization of border outposts to interface with other government agencies, information sharing remains a problem.

Most Syrian judges are not familiar with the evidentiary requirements of the AML law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementation of existing AML/CFT regulations.

While the Government of Syria had made modest progress in implementing AML/CFT regulations that govern the formal financial sector prior to the civil unrest, the lack of transparency of the state-owned banks and their vulnerability to political influence revealed the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the underground economy will continue to be vulnerable to money launderers and terrorist financiers. To build confidence in Syria's intentions, the central bank should be granted independence and supervisory authority over the entire financial sector. The government needs to work actively to effectively implement the provisions of the AML/CFT law through appropriate regulation and other related action. Syria should become a party to the UN Convention against Corruption.

Taiwan

As a regional financial center, Taiwan's modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is legal but only allowed in limited parts of Taiwan's territory. Taiwan has not yet passed legislation governing the gaming industry, and no casinos have been established. The extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector, which are regulated by Taiwan's central bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,662: January - October 2014

Number of CTRs received and time frame: 3,422,102: January - October 2014

STR covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 26: January - October 2014

Convictions: 11: January - October 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime but is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan's asset freezing regime and implementation of UNSCRs 1267 and 1373; deficiencies in customer due diligence (CDD) regulations, including in identifying and verifying customer identity; and the threshold for a serious money laundering offense is too high.

Regulations regarding the reporting of transactions by jewelry stores came into force in January 2012. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The government is not keeping statistics on jewelry store-related money laundering cases.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering and terrorism financing activity. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance systems, such as the precious metals and stones sector, Taiwan's law enforcement

should enhance investigations of underground financial systems such as *fei-chien* and its link to the international gold trade.

In 2014, Taiwan assisted U.S. law enforcement authorities and agreed to freeze a bank account containing nearly \$16 million in illicit proceeds tied to a trade-based money laundering scheme in Los Angeles involving Mexican drug cartels and the importation of garments and textiles into the United States. It was the first time Taiwan had facilitated a significant asset seizure as part of a U.S.-based criminal investigation.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Proposed legislative amendments to Taiwan's Money Laundering Control Act address a number of these deficiencies, but remain only in draft form.

Tajikistan

Criminal proceeds laundered in Tajikistan derive from both foreign and domestic criminal activities and are assumed to be primarily related to the large amounts of opium and heroin trafficked through the country from Afghanistan to Russia. It is widely suspected that money laundering activities are primarily controlled by high-level drug trafficking networks, with some smaller actors involved. According to the National Bank of Tajikistan (NBT), the country's central bank, some money laundering takes place in the formal financial sector. The absence of any significant money laundering investigations or prosecutions, with subsequent confiscation of criminally derived assets, makes it impossible to accurately gauge the degree to which the formal banking sector is being used to launder such assets.

While there is a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars, other luxury goods, and possibly real estate. Proceeds from a high level of corruption are also laundered. Use of alternative remittance systems, free trade zones, and bearer shares create the potential for abuse, but evidence of their abuse as money laundering vehicles is limited.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, money remitters, foreign exchange dealers, microfinance institutions, insurance companies, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 54: January 1 - September 15, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, securities traders, money remitters, foreign exchange dealers, notaries, and microfinance institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Tajikistan made progress in addressing some of its AML/CFT deficiencies. Money laundering is criminalized to a large extent. Tajikistan now has the legal frameworks and institutional structures to tackle money laundering; it remains to be seen if there is the will to fully and consistently implement its statutes.

In 2014, the number of STRs filed with the Department of Financial Monitoring of the National Bank of Tajikistan increased from previous years' totals. The number of prosecutions and convictions remain low, but there was a slight increase in 2014. Approximately \$20,400 was seized in 2014 in two money laundering investigations. While the country has had a seizure statute for many years, it remains unclear how systematic its approach is to asset identification, seizure, and forfeiture.

The jurisdiction for investigating money laundering and related financial crimes in Tajikistan is divided among the Ministry of Internal Affairs, State Committee of National Security, Prosecutor General's Office, and the Anti-Corruption Agency. The level and quality of cooperation and coordination among these agencies could be significantly improved through training, information sharing, and the establishment of multi-agency task forces.

Tanzania

While Tanzania is not a major regional financial center, its location at the crossroads of southern, central and eastern Africa makes it a prime location for smuggling activities that generate illicit revenue, including the trafficking of narcotics, arms, and humans. The major profit generating crimes in Tanzania include drug trafficking, wildlife trafficking, corruption, smuggling of precious metals and stones, theft, and robbery. With only 12 percent of the population engaged in the formal financial sector, money laundering is more likely to occur in the informal non-bank sectors. Mobile banking services continue to expand rapidly, opening up formerly underserved rural areas to formal banking but also creating new vulnerabilities in the financial sector. Currently the central bank estimates that the equivalent of \$650 million is transferred each month through such mobile transfers.

Criminals have been known to use front companies, hawaladars, and currency exchanges to launder funds, though these are not currently significant areas of concern. Tanzanian anti-money laundering officials are not aware of any issues with or abuse of non-profit organizations, offshore sectors, free trade zones, or bearer shares. Real estate and used car businesses appear to be involved in money laundering. The use of front companies to launder money appears to be more common on the island of Zanzibar. Officials indicate money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry. Bulk cash smuggling is also a problem.

In June 2014, the FATF removed Tanzania from its Public Statement, noting Tanzania's progress in addressing deficiencies and meeting its action plan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Commercial and specialized banks, cash dealers, accountants, dealers in art and precious metals and stones, customs officials, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 46: June 2013 - March 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial and specialized banks, cash dealers, accountants, realtors, dealers in art and precious metals and stones, casinos and gaming operators, regulators, customs officials, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years the Government of Tanzania took positive steps to strengthen its response to money laundering. Weaknesses remain, however, in AML/CFT supervision of the financial sector and the lack of designated competent authorities responsible for ensuring compliance by financial institutions.

In June 2014, the financial intelligence unit (FIU) became a member of the Egmont Group of FIUs. The FIU has 17 staff members, including several analysts. With support from international partners, the FIU conducted several awareness raising workshops for the banking sector in 2014. Weaknesses in FIU capacity remain. The FIU should improve the training for new staff, inform institutions of their reporting and record keeping responsibilities, and train the financial sector to identify suspicious transactions.

There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. A lack of enforceable requirements to ensure customer due diligence (CDD); a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions; and ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements, continue to be issues. The FIU reported in October 2014 that CDD and reporting requirements are hard to implement because of the lack of a national identification system. In 2014, Tanzania's Central Bank took over the management of FBME Bank following a report from the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) describing the bank as a "primary money laundering concern."

Currency transaction reporting was introduced in Tanzanian law in 2012, but authorities have made limited progress on implementation. There are issues surrounding the determination of a threshold amount for reporting; therefore, no reporting is taking place. Similarly, cross-border currency declaration requirements have not been implemented.

Tanzania does not have formal records exchange mechanisms. The Ministry of Foreign Affairs and Central Bank of Tanzania do cooperate with other governments via memoranda of understanding, but this happens infrequently.

Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement, and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime, especially in Zanzibar. The Government of Tanzania should continue to focus its efforts on implementing its AML law, and its capacity to identify, freeze, and seize assets. Customs and the FIU should be given the resources to implement the cross-border currency declaration requirements. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through exploitation of the money and value transfer services used in the region.

Thailand

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy, as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawaladars that service Middle Eastern travelers in Thailand. Thai and Chinese underground remittance systems are also prevalent.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses, and deposit/lending cooperatives with total operating capital exceeding the equivalent of \$67,000

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,914 in 2014
Number of CTRs received and time frame: 1,120,059 in 2014
STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9: January 1 - October 31, 2014
Convictions: 17: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Thailand continues to make progress in its AML/CFT legal/regulatory framework, since its passage of the Anti-Money Laundering Act (No. 4) (AMLA (No. 4)) and the Counter Terrorism Financing Act in 2013. The AMLA (No. 4) transfers all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), which serves as Thailand’s financial intelligence unit. Previously, supervision for AML purposes appears to have been lax across the spectrum of regulators. AMLO has assumed its new supervisory role, and has credited its increased outreach to financial institutions for the significant decrease in suspicious transaction reports (STRs) received in 2014 compared with 2013 (74,596 STRs). According to AMLO, financial entities over-reported in prior years because they did not understand the guidelines.

Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as compared to criminal enforcement. In the international cooperation arena, where it is appropriate to repatriate or share forfeited proceeds with a foreign jurisdiction, there is a legal impediment barring the assets from being transferred outside Thailand. In spite of a high number of money laundering investigations (70 for 2014), the prosecution and conviction rates are low in comparison to 2013, a result likely attributable to law enforcement resources having been diverted during protests and unrest for much of the first half of the year, culminating in a May 22 military coup.

AMLO is drafting Anti-Money Laundering Act (No. 5), an amendment to the current act. The update is expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO hopes to implement the legislative changes in 2015.

Timor-Leste

Timor-Leste is not a regional or offshore financial center, and has no free trade zones. The economy is cash-based, and the Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. The national economy heavily depends on government spending financed by petroleum and natural gas revenues, supplemented by assistance from international donors. The private sector is small, concentrated in the service and retail sectors.

All three major banks in Timor-Leste are branches of foreign banks, chartered in Australia, Portugal, and Indonesia, and are subject to the reporting requirements of their home jurisdictions. In 2011, the Timorese government created a commercial bank, and it is in the process of creating a development and investment bank, expected to have partial foreign ownership.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Drugs, including methamphetamines and cocaine, have been seized in the country, though narcotics trafficking is not considered a significant source of illegal proceeds. Nevertheless, Timor-Leste is a transshipment point for drug traffickers, which suggests illegal proceeds would probably be discovered were it not for the inadequacy of reporting and data systems that makes it difficult to track cross-border activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: *criminally:* YES *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* YES

KYC covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Timor-Leste is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/includes/handlers/get-document.ashx?d=9be81db1-1f46-42d0-939c-4ffca465cc64>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Timor-Leste lacks critical AML/CFT controls, and its low technical, financial, and human capacity makes it difficult to enforce adequately the laws that are in place. In 2013, Parliament remedied the deficiencies in its 2011 AML/CFT law with the passage of a package of amendments. The Central Bank is charged with implementing the necessary measures to make the amended law more effective.

The law also mandates the fullest judicial cooperation between relevant Timorese authorities and competent foreign authorities. The details of that cooperation are not specified, however. Many of the details with respect to implementation of the law are contained in a Decree Law and instructions that have not yet been implemented.

On May 27, 2014, Timor-Leste became a party to the UN International Convention for the Suppression of the Financing of Terrorism. On June 3, 2014, Timor-Leste became a party to the 1988 UN Drug Convention.

Timor-Leste should fully implement its 2013 amendments to the AML/CFT law. Customer due diligence and reporting procedures have been implemented only in banks and microfinance institutions. The government should take steps to implement these programs in all entities covered under the AML/CFT law.

Togo

Togo's porous borders, susceptibility to corruption, and large informal sector make it vulnerable to illicit transshipments and small-scale money laundering. Most narcotics passing through Togo are destined for European markets. Drug and wildlife trafficking, trafficking in persons, corruption, misappropriation of funds, tax evasion, and smuggling are major crimes in Togo. The country's small financial infrastructure, dominated by regional banks, makes it a less attractive venue for money laundering through financial institutions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations (NGOs), travel and real estate agents, and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 34 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, NGOs, travel and real estate agents, and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: January – November, 2014

Convictions: 0: January – November, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Togo is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Togo.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Togo is slowly implementing a national plan to fight drugs and money laundering, and has been receiving increasing support from foreign donors. Togo's AML/CFT laws are primarily administered by its financial intelligence unit (FIU), the National Financial Information Processing Center (CENTIF). CENTIF analyzes STRs as well as reports of attempts to transport money across borders in excess of the amounts allowed by law. CENTIF lacks full operational autonomy and is inadequately resourced.

Investigating magistrates, police, and customs have little expertise in AML/CFT matters, and the government is investigating training for these entities. In addition to a lack of capacity on the investigative side, the Togo has difficulty pursuing prosecutions due to an inefficient and overburdened court system. Corruption in government and all levels of society presents further obstacles.

Togo's terrorism financing law does not comport with international standards. Additionally, although Togo's AML/CFT laws include KYC provisions, most covered entities are not aware of the requirements and compliance is negligible. Also, some designated non-financial businesses and professions are not subject to supervisory oversight for AML/CFT purposes.

Tonga

Tonga is an archipelago located in the South Pacific. With only five commercial banks, Tonga is neither a financial center nor an offshore jurisdiction. Although remittances from Tongans living and working abroad have declined in recent years, they remain the largest source of hard currency earnings, followed by tourism.

Historically, Tonga has not been a major narcotics transit point. There are, however, unconfirmed allegations that Tongan citizens may have links to transnational drug cartels, but the scale of this is unknown. Local police authorities deem Tonga to be vulnerable to smuggling and money laundering due to inadequate and under-resourced border controls.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14: January - November 2014
Number of CTRs received and time frame: 3,203: January – November 2014
STR covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013
Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES
With other governments/jurisdictions: YES

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/details.aspx?m=ca53cb77-4860-4c42-8fe1-2e059b71d54b>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tongan Transaction Reporting Authority (TRA) is generally vested with the authorities of a financial intelligence unit and also serves in a supervisory capacity. The TRA works in collaboration with partner agencies developing financial intelligence to deter, prevent and combat money laundering and counter terrorist financing.

During the year, three suspicious transaction reports (STRs) were forwarded to the police for further investigation. The other STRs were forwarded to other law enforcement authorities, such as the Minister of Revenue and Customs for possible tax evasion, and Department of Immigration for possible breach of immigration laws.

On August 15, 2014, Tonga's law enforcement agencies signed a memorandum of understanding (MOU), establishing an official framework for information sharing and interagency cooperation and collaboration. Criminal offenses covered under this MOU include, among others, serious offenses having financial and commercial impact, serious commercial fraud, terrorism, terrorist financing, and money laundering.

The Money Laundering and Proceeds of Crime Act (MLPCA) and Counter Terrorism and Transnational Organized Crime Act 2013 provide for international cooperation and coordination. International cooperation and coordination is also provided for under Tonga's Mutual Assistance in Criminal Matters (MACM) Act and Extradition Act. It is unclear whether ML offenses are covered by definition under the MACM Act. On October 3, 2014, Tonga became a party to the UN Convention against Transnational Organized Crime.

The primary limitation to detecting money laundering in Tonga is the lack of resources, including technical and experienced staff and staffing restraints, at key AML/CFT agencies, including the TRA and the Tonga Police Transnational Crimes Unit. The lack of resources results in a lack of monitoring and in-depth investigation of suspicious transactions, and an absence of prosecutions. A related issue is that the investigators may not be aware of new money laundering methodologies.

Although many types of entities are covered under the MLPCA, KYC procedures and STR requirements are only applied to banks and foreign exchange dealers actively supervised by the National Reserve Bank of Tonga (NRBT) or the TRA. The government should work to ensure these requirements are applied more broadly and that politically exposed persons (PEPs) are covered under the relevant laws or regulations instead of only under guidelines applicable to NRBT-supervised institutions. The Government of Tonga is considering becoming a party to the United Nations Convention against Corruption. The government should take this action. Additionally, Tonga should provide appropriate resources and training to relevant authorities.

Trinidad and Tobago

Trinidad and Tobago's close proximity to drug producing countries, stable economy, and developed financial systems make it a target for criminals looking to launder money. Proceeds from drug trafficking, illegal arms sales, fraud, tax evasion, and public corruption are the most common sources of laundered funds. Criminal assets laundered are derived from domestic and international criminal activity. Narcotics trafficking organizations and organized crime entities, operating locally and internationally, control the majority of illicit proceeds moving through the country.

Trinidad and Tobago's AML/CFT regime is not yet able to quantify the extent to which fraud and public corruption contribute to money laundering. Fraud and waste in government

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procurement are common, but rarely proven. The failure to prosecute financial crimes successfully has a corrosive impact on the integrity of public finances and may encourage others to engage in financial crimes.

There is a significant black market for smuggled goods, including firearms. According to the Energy Ministry, the substantial illegal trade of locally produced, heavily subsidized diesel fuel sold in or near Trinidad and Tobago's territorial waters continues to decline through government law enforcement efforts, but is still of concern. Law enforcement sources indicate proceeds from the black market sale of firearms and suspicious sales of smuggled used luxury vehicles rival income from local drug sales.

Trinidad and Tobago does not have a significant offshore banking sector. The banking system is one of the strongest and most efficient in the region. According to information from financial institutions and legal analysts, financial crimes are increasing, particularly those involving the use of fraudulent checks, wire transfers, and financial instruments. Currency transactions below the suspicious transaction reporting (STR) threshold are common. The volume of money laundering in the offshore banking sector is unknown.

Money laundering also occurs outside the traditional financial system. While public casinos and online gaming are illegal in Trinidad and Tobago, gamblers take advantage of "private members' clubs," which move large amounts of cash under outdated regulatory supervision. Reports also suggest that certain local religious organizations are involved in money laundering. The extent to which alternative remittance services are a problem is unclear. STRs reviewed by the Trinidad and Tobago Financial Intelligence Unit (TTFIU) and Customs and Excise Division officials confirm trade-based money laundering occurs, though no indications tie these activities directly to terrorism financing.

There are six free trade zones (FTZs) in Trinidad and Tobago, where manufactured products are exported. Companies must present proof of legitimacy and are subject to background checks prior to being allowed to operate in the FTZs, and while operating are required to submit tax returns quarterly and audited financial statements yearly. There is no evidence the FTZs are involved in money laundering schemes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crime
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 258: January 1 – June 30, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Trinidad and Tobago is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/trinidad-and-tobago-2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Trinidad and Tobago continues to work to address AML/CFT compliance and enforcement issues, particularly implementation of new legislative and regulatory reforms.

Trinidad and Tobago improved its criminal asset forfeiture mechanism, allowing forfeiture when AML/CFT crimes are prosecuted as stand-alone offenses, superseding the previous requirement to first prove the proceeds' criminal origins. The country continues to struggle to implement its current asset forfeiture regime, with no convictions and assets valued at less than \$1 million seized or restrained to date. Notwithstanding its very limited success and a desire to show more tangible outcomes, Trinidad and Tobago officials continue to push to adopt a civil asset forfeiture model in the future.

The TTFIU, Trinidad and Tobago Securities Exchange Commission, and the Central Bank signed a Memorandum of Understanding to strengthen Trinidad and Tobago's financial regulatory framework. The agreement facilitates information sharing, better management of

systemic risk to the country's financial markets, and improved mechanisms to prevent money laundering and terrorist financing. Trinidad and Tobago also strengthened its securities framework with new legislation that increases the local securities exchange law enforcement powers, enhances disclosure obligations, and provides an ability to prosecute market misconduct. The government concluded stakeholder consultations to effect proper gaming sector supervision and AML/CFT compliance. The new gaming legislation, which was expected to be tabled during the November Parliamentary session, will include mechanisms to ensure criminal elements are prevented from owning or managing private members' clubs, which conduct casino operations.

In 2014, the TTFIU implemented a rigorous compliance enforcement plan and was successful, compared to previous years, in targeting unregistered and noncompliant supervised organizations. As a result, the TTFIU succeeded in having 24 out of 31 unregistered companies now registered, and 312 out of 380 noncompliant organizations submit a written compliance program. In addition, the TTFIU instituted legal proceedings against two members' clubs conducting casino operations for failing to register.

International donors worked with the TTFIU to develop a designated non-financial businesses or professions risk assessment mechanism, improving TTFIU's ability to enforce regulations. The TTFIU is now adequately staffed to properly prioritize and analyze STRs in a timely manner. The TTFIU forwarded 55 STRs to the four local law enforcement agencies with AML/CFT responsibilities for further investigations. The Police Service Financial Investigations Branch (FIB), Customs and Excise Division, Immigration Division, and Board of Inland Revenue, are currently investigating 24 money laundering cases. Significantly, the FIB made three major cash seizures this year, including \$691,000 in an ongoing narcotics trafficking investigation. While laudable, local AML/CFT law enforcement agencies continue to have staffing and investigative capacity challenges. Progress on the country's first money laundering prosecution, initiated in 2012, is slow but positive. In addition to this ongoing case, the FIB submitted another AML case for prosecution to the Director of Public Prosecutions this year, and both cases are currently before the local Courts.

Tunisia

Tunisia is not considered a regional financial center. Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering. There is a low level of organized crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics. Weapons, narcotics, and suspect cash have been seized in many Tunisian cities, some of which are near the borders with Libya or Algeria. Reports of corruption and financial crimes continue. The smuggling of weapons and contraband through Tunisia is used to support terrorist groups, including al-Qaida in the Islamic Maghreb.

Money laundering occurs through the financial sector and through informal economic activity involving smuggled goods. Since Tunisia has strict currency controls, it is likely that underground remittance systems such as hawala are prevalent. Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often

involved in hawala counter-valuation. Tunisia has two free trade zones, in Bizerte and Zarzis. Tunisia has seven offshore banks and also hosts 1,105 offshore international business companies (IBCs).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 129: January 1 – June 30, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 160 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20with%20response_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tunisian Financial Analysis Commission (CTAF), the financial intelligence unit headed by the governor of the Central Bank, includes members representing the customs and police departments and the judiciary. CTAF lacks analytical capacity primarily due to the lack of trained staff.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore financial institutions are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. IBCs are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts.

The Government of Tunisia should continue to implement and enhance its AML/CFT regime. Officials should collect and disseminate AML/CFT statistics to assist in measuring progress. Tunisian authorities should examine, update where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based money laundering and value transfer, and should examine informal financial networks and their possible link to money laundering and extremist finance.

Turkey

Turkey, which aspires to be a global financial center, is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. Turkey's economy has grown rapidly over the past decade, and its GDP has more than quadrupled in size since 2001. This rapid growth, combined with Turkey's geographical location and commercial relationships makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. Narcotics trafficking is only one source of the funds laundered in Turkey, however. Other significant sources include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in the form of cash flows across Turkey's southern border into Syria; and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

The FATF first included Turkey in its Public Statement in 2010, for Turkey's lack of adequate terrorism financing legislation and the lack of a legal framework within which to freeze terrorist assets. In 2013, Turkey took legislative action to improve its compliance with international standards. Based upon an analysis of Turkey's overall legislative framework, together with evidence of its implementation over time, in June 2014, FATF removed Turkey from its Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,733: January 1 - November 21, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance

brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/s-t/turkey/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Turkey has taken steps toward improving its CFT regime, including by establishing procedures to identify, freeze, and confiscate terrorist assets.

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened. Based upon recently enacted legislation, regulations and communiques, Turkey's Financial Crimes Investigation Board (MASAK) has improved its capacity to collect and analyze financial information. MASAK continues to increase education efforts for financial institutions. Nevertheless, Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency

cooperation to assure a comprehensive implementation of existing laws and regulations. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. Since 2009, MASAK has referred 1,236 individuals to public prosecutors based upon a suspicion of money laundering; of these, 275 were made in 2012, and 238 were made in 2013.

Turkey should provide the necessary resources and capacity to adequately supervise its NPOs. Turkey should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373.

Turkmenistan

Turkmenistan is not an important regional financial center. There are only five international banks and a small, underdeveloped domestic financial sector. The country's significant mineral wealth is paid for through offshore accounts with little transparency, public scrutiny, or accounting.

Turkmenistan shares borders with Afghanistan and Iran. Money laundering in the country involves proceeds from the trafficking and trade of illicit narcotics (primarily opium and heroin) as well as those derived from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders. The two casinos operating in Turkmenistan, managed by Turkish companies, could be vulnerable to financial fraud and money laundering activity.

There are no offshore centers in the country. The Awaza (or Avaza) Tourist Zone (ATZ) promotes the development of Turkmenistan's Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT exempt.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* NO *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, money exchangers, and money remitters; postal service operators; leasing companies; securities brokers and intermediaries; insurance institutions; portfolio and asset managers; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars; and pawnshops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit institutions, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchanges, and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; and pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Turkmenistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

International experts have seen positive movement in the country's AML/CFT actions. The Inter-Agency Coordination Working Committee for combating money laundering and terrorism financing operates under the Ministry of Finance. The Government of Turkmenistan has increased its efforts to equip the financial intelligence unit officials with computer software designed to perform link analysis.

Foreign embassies provide terrorist financing information regarding UN- and U.S.-designated individuals and organizations subject to asset freezing to the Ministry of Foreign Affairs, which distributes it to other relevant agencies. While laws exist, the government does not have an independent system or mechanism for freezing terrorist assets. There are no reports that authorities have identified, frozen, seized, or forfeited assets related to terrorist financing.

The government should continue to work with international advisors to put in place an AML/CFT regime that comports with international standards. Turkmenistan should release data on the number of financial intelligence reports filed and the numbers of money laundering prosecutions and convictions so as to better assess the efficacy of its AML/CFT regime. Turkmenistan's law enforcement, customs, and border authorities need continuing assistance to recognize and combat money laundering and terrorism financing.

Turks and Caicos

The Turks and Caicos Islands is a British Overseas Territory. The economy depends greatly on tourism and the well-developed financial sector. Financial services accounted for almost 30 percent of GDP. The Turks and Caicos Islands is vulnerable to money laundering due to its significant offshore financial services sector and notable deficiencies in its AML/CFT regime. Corruption is a problem and the country's geographic location makes it a transshipment point for narcotics traffickers.

Financial services supervision is conducted by the Turks and Caicos Islands Financial Services Commission (TCIFSC). The Commission is an independent statutory body tasked with supervising the financial services sector, and is responsible for the oversight of company formation and registration. The TCIFSC licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers, international business companies (IBCs), and designated non-financial businesses.

According to TCIFSC's website, there are seven licensed banks, five licensed money transmitters, 11 licensed trust companies, six international insurance managers and 22 domestic insurance companies. As of 2014, there were 7,040 international and 48 domestic insurance companies; and at the end of 2011, 9,871 "exempt companies," or IBCs, were included in the Companies Registry. There are two casinos. Trust legislation allows for asset protection trusts insulating assets from civil adjudication by foreign governments; therefore, Turks and Caicos Islands remain something of a tax haven for foreign criminals seeking to evade domestic tax reporting requirements. The Superintendent of Trustees has investigative powers and has the authority to assist overseas regulators.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

The Turks and Caicos Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/turks-and-caicos-islands-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Turks and Caicos Islands Police Financial Intelligence Unit produces an annual report containing statistics on Suspicious Activity Reports (SARs), trends and typologies.

A British Overseas Territory, the government of the Turks and Caicos Islands cannot sign or ratify international conventions in its own right; the UK is responsible for international affairs and must arrange for the ratification of any convention to be extended to the Turks and Caicos Islands. The 1988 Drug Convention was extended to the Turks and Caicos Islands in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not been extended to the Turks and Caicos Islands. The UNTOC is effectively in place via the United Kingdom Orders in Council, which have legislative effect in the Turks and Caicos Islands.

The Turks and Caicos Islands should strengthen cross-border currency controls and disseminate information on designated terrorists more effectively. The government should consider

implementing domestic provisions to allow for the enforcement of foreign restraining and confiscation orders and the sharing of confiscated assets.

Uganda

Uganda's banking and financial sectors are growing in size and sophistication. The country has a total of 25 commercial banks, almost all of which are foreign-owned, and 18 non-bank financial institutions. Only about 4 million people, out of a total population of 35 million, have deposits in the formal banking sector, with the rest of the populace relying on cash transactions or informal alternative forms of banking, including "mobile money." Money transfers and payments through mobile phones (M-payments) have become a key provider of basic, if informal, financial services for low-income earners who cannot afford the charges levied by the formal banking system. M-payments are also convenient and provide needed financial services to Uganda's remote and unbanked population. The industry is new and largely unregulated and, therefore, could be used to place and layer illicit funds. The Bank of Uganda is still formulating policy tools to regulate mobile money.

Uganda's cash-based informal economy provides a fertile environment for money laundering. Its lack of intellectual property rights legislation feeds a large black market for smuggled and/or counterfeit goods. Currently, most laundered money comes from domestic proceeds, much of which stems from unchecked official corruption. Uganda's inability to monitor formal and informal financial transactions, particularly informal trade along porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, could render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Uganda's black market takes advantage of these borders and the lack of customs and tax collection enforcement capacity. Annual remittances are Uganda's largest single source of foreign currency.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and

Registrars of land and companies; lending, financial leasing, and money or value transfer entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and Registrars of land and companies; lending, financial leasing, and money or value transfer entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Uganda's Anti-Money Laundering Act of 2013 (AMLA) provides a framework for AML/CFT enforcement. The AMLA criminalizes and prescribes penalties for money laundering and the aiding and abetting of money laundering, including seizure, freezing, and forfeiture of assets linked to money laundering and terrorist financing. The AMLA provides for asset sharing and enables mutual legal assistance requests from other jurisdictions. It creates the Financial Intelligence Authority (FIA), Uganda's financial intelligence unit, and a regulatory framework aimed at preventing money laundering and terrorist financing through a range of institutional measures. A range of KYC and record keeping duties are imposed on every covered entity.

The FIA and the interagency Financial Intelligence Board (FIB) coordinate efforts to combat money laundering and to generally ensure implementation of the new law. Under the AMLA, the FIA is supposed to function independently, even though it may receive "guidelines" from the Finance minister. The FIA became operational in 2014, and the FIB is in the process of being constituted.

The AMLA excludes M-Payments from its regulatory scope even though such transfers represent a significant portion of financial transactions in Uganda. Despite potential money laundering concerns, the AMLA specifically omits Mobile Money agents from the scope of “accountable persons,” therefore, they are not subject to any reporting or record keeping requirements. Most M-Payment agents are natural persons and not corporations. In effect, a significant portion of financial transactions in Uganda takes place beyond the formal regulatory structure and is prone to money laundering, terrorist financing, and other forms of financial crime.

In 2014, international donors held a series of workshops with various concerned groups to improve understanding and implementation of the AMLA. Donors also held capacity building and technical assistance workshops with the FIA.

In 2011, the Uganda Revenue Authority (URA) decided to implement a new policy requiring anyone involved in real estate purchases valued at more than \$20,000 to declare their source of income. However, the policy is controversial and it is unclear when or if the URA will begin enforcing it.

The Government of Uganda should continue to implement the AMLA. AML/CFT training should be a priority for concerned Ugandan law enforcement, customs, intelligence, and judicial authorities. Uganda should adopt a safe harbor provision to protect covered entities and their employees who file suspicious transaction reports (STRs) from criminal or civil liability.

Ukraine

Although Ukraine is not a regional banking or financial center, it has had close ties with European banking networks. Over recent years, however, several international banks have pulled out of the country. In Ukraine, significant vulnerabilities to money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources markets. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms, or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional facilitating factor is the level of corruption throughout society, both in the private and public sectors. In the course of investigations conducted in the first ten months of 2014, the financial intelligence unit revealed large-scale corruption activities of the Yanukovich government that could have cost the government the equivalent of \$10.85 billion. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored.

Transnational organized crime syndicates are also present and both transit the country and conduct business in Ukraine. They are involved in drug trafficking, economic crimes, cigarette smuggling, trafficking in persons, public corruption, real estate and other frauds, violent crimes, and extortion. They are able to operate in Ukraine due to the corruption of the justice system.

Money launderers use various methodologies including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. According to Ukraine’s State Tax

Administration, there continues to be growth in formation of offshore companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands has been a popular offshore destination for those who wish to obscure ownership and to avoid taxes.

There is a significant market for smuggled goods and a large informal financial sector in Ukraine. These activities are linked to evasion of taxes and customs duties. Many Ukrainians work out of the country; worker remittances using banking transfers or via international payment systems amounted to approximately \$4.8 billion in the first eleven months of 2014. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 241 in 2014
Convictions: 156 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Ukraine has made some recent progress in strengthening its AML/CFT regime, in particular in enhancing due diligence requirements for domestic politically exposed persons (PEPs) and introducing criminal liability (i.e., criminal fines) for corporations. The law introducing criminal liability for legal persons for money laundering crimes was passed on May 3, 2013 and enacted on April 27, 2014. A law enhancing due diligence for domestic PEPs was passed on October 14, 2014 and enacted on November 25, 2014.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2014, 849,907 reports were received.

Ukraine should address the rise of cybercrime and related transnational organized crime activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine should enhance regulatory oversight of its gaming industry and examine how gaming is used to launder money and its possible relationship with regional organized crime. The government should investigate how informal money and value transfer networks are used not only for remittances, but for the transfer of illicit proceeds.

While Ukraine has signed and ratified international treaties, implementation is weak in many instances. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. Ukraine should work aggressively to implement its treaty obligations.

United Arab Emirates

The United Arab Emirates (UAE) has long thrived as a regional hub for trade and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable and attractive to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Risks associated with exchange houses, hawaladars, and trading companies in the UAE have received significant attention. With an immigrant population of more than 80 percent, money

remittance is a pillar of the local economy. Since formal financial services are limited in large parts of many guest workers' home countries, hawaladars and other money/value transfer services are prevalent in the UAE. There are some indications that trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies, and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Financial networks operating both in and outside the UAE almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, totaling 36 free trade zones (FTZs) and one financial free zone, including one under development in Abu Dhabi. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, exchange houses, and securities traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE continues to work on enhancing its AML/CFT program and, in 2014, worked to advance legislation strengthening efforts to combat ML/TF. In November 2014, the UAE amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses, among other improvements. The law also stipulates that outbound and inbound travelers must declare the amount of money, convertible financial instruments, and precious metals and gems they hold under a disclosure regulation to be issued by the UAE Central Bank. Separately, in August 2014, the UAE issued enacted a new counterterrorism law which defines terrorist financing, imposes a minimum sentence of ten years for those found guilty of such crimes, and grants the Central Bank the authority to freeze bank accounts of those suspected of financing terrorist groups for up to seven days.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the Anti-Money Laundering Suspicious Cases Unit (AMLSCU) - the UAE's financial intelligence unit (FIU) - and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information sharing capability to support cooperative efforts with counterpart FIUs. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE has been considering moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should take action to establish appropriate policies and procedures.

United Kingdom

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Observers feel the UK's current regulatory architecture and the high degree of financial secrecy afforded to directors of British firms also are attractive to global criminal syndicates. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; cash smugglers (into and out of the UK); and traditional gatekeepers, including lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high-value assets to disguise illicit proceeds. Underground alternative remittance systems, such as hawala, are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 354,186: October 2013 – September 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64: January 1 - September 30, 2014

Convictions: 56: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/uz/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK reviews and assesses the effectiveness and proportionality of its AML/CFT regime, including through the approval of updated and more accessible industry guidance. A further revision of the Money Laundering Directive was published in February 2013 and is currently being negotiated at an EU-wide level.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA now has all financial crime responsibilities previously held by the British Financial Services Authority (FSA). The UK has worked to change and update its procedures to make compliance easier and more attractive under Her Majesty's Revenue & Customs Anti-Money Laundering Supervision Change Program. HM Treasury continues to work with the Home Office regarding the National Risk Assessment to provide sector-related insights and expertise. On April 1, 2014, the FCA took over regulation of the consumer credit industry, supervising compliance of over 50,000 firms with legal and regulatory financial crime obligations. In 2013 and 2014, the FCA fined two separate major banks over \$13 million for flaws in their AML controls.

There is no enhanced customer due diligence for British politically exposed persons (PEPs). The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

In 2014, a significant and wide reaching money laundering investigation was initiated in Moldova which involved an international web of companies, including a large number of UK firms. The complex scheme involved billions of dollars of tainted money primarily routed through Russia and layered through complicit British front companies.

The UK is continuing with plans to require beneficial ownership of companies and trusts to be listed in public registers. The measure is aimed at combating international money laundering and tax evasion.

Uruguay

Although the Government of Uruguay took affirmative steps in 2014 to counter money laundering and terrorism financing activities, and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 80 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian, Mexican, and Russian criminal organizations are operating in Uruguay. There is continued concern about transnational organized crime originating in Brazil. In 2013 and 2014, there were five high-profile cases related to the alleged laundering of funds from Peru, Argentina, and Spain.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing significantly. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering occur.

Given the longstanding free mobility of capital in Uruguay, money is likely laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the central bank, and any share transactions must be authorized by the central bank.

There are 12 free trade zones (FTZs) located throughout the country: three accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods (generally manufactured in China) or raw materials bound for Brazil and Paraguay.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other persons who carry out financial transactions or manage commercial companies on behalf of third parties

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 218: January – October 2014
Number of CTRs received and time frame: 7,700,000: January – October 2014
STR covered entities: Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and other persons who carry out financial transactions or administer corporations on behalf of third parties

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 36: January - June 2014
Convictions: 1: January - June 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Uruguay_3era_Ronda_2009.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Significant AML/CFT developments in 2014 include several programs being carried out with the assistance of international donors. One program seeks to enhance the effectiveness of Uruguay’s AML investigations, improve the local statistical system, and assess Uruguay’s compliance with international standards. Donors also are assisting Uruguay in updating its money laundering risk assessment, which will guide the AML strategy of the new presidential administration that will take office in March 2015. Another project is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit (FIU), and deepen its capability to assess risk within the financial sector.

A financial inclusion law, No. 19.210, passed in May 2014, provides for mandatory payment of wages, pensions, and specified transactions by electronic means, thereby diminishing money laundering risks by increasing economic formalization.

In 2014, Uruguay continued its strategy of increased transparency by eliminating bearer share corporations that fail to register the owners of their shares and announcing its intention to adhere to automatic exchange of tax information. Uruguay also continued strengthening the technical staff of the FIU and the AML Secretariat, both of which have the authority to require all obligated entities to provide requested information. In 2014, the Uruguayan Customs Authority created a working group on AML, and the government continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay is in the process of improving its collection of statistics related to prosecutions, convictions, and amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. The FIU did not freeze any assets in 2014. Uruguay is considering amending its legislation to allow asset seizure without a conviction.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, continue working with covered non-financial entities, and improve the management of seized assets and funds.

Uzbekistan

Uzbekistan's porous borders with Afghanistan and other Central Asian states allow for narcotics, money, and other goods to enter and exit the country. Uzbekistan is not a major regional financial center and does not have a well-developed financial system. Uzbekistan has a largely cash-based economy with decentralized accounting systems, which makes money laundering difficult to detect.

Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and other organized criminal organizations control narcotics markets and proceeds from other criminal activities, such as smuggling of cash, high-value transferable assets (e.g., gold), goods, or automobiles. Uzbekistan is home to a large black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but can be used to launder drug-related money.

The large percentage of migrant workers sending money to Uzbekistan may pose risks with regard to informal or alternative value systems; however, there is little publicly available information on these entities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* NO *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks, credit unions, microcredit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 201,000: January 1 – September 30, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit unions, microcredit institutions, securities brokers, members of the stock exchange, insurance agents and brokers, leasing companies, money transfer companies, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uzbekistan’s legal system is generally susceptible to corruption and political influence. Since 2009, legislation to reestablish AML/CFT measures has been adopted piecemeal, leading to confusion from vague requirements, incomplete procedures, and occasional conflicts with banking regulations. Government secrecy surrounding cases and statistics inhibits evaluation. The Office of the Prosecutor General (OPG) attempts to maintain secrecy by not releasing the criteria for identifying suspicious transactions, even to banks. Fearing the consequences of not reporting criminal activity, banks adopted excessively cautious policies that have led to massive over-reporting.

Ambiguities in the law make it difficult to determine the division of authority among the OPG's financial intelligence unit (FIU) and other law enforcement bodies in money laundering cases. In addition to the FIU, the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist finance, respectively. In 2014, the U.S. Drug Enforcement Administration signed a memorandum of understanding (MOU) with the FIU. The MOU establishes a legal foundation for joint counter-narcotics and terrorist-related financial investigative activities and exchange of intelligence.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation.

The Uzbek government currently is working with international donors to improve the AML/CFT legal framework and build national enforcement capacity. In addition, the Government of Uzbekistan should take specific steps to combat the widespread corruption that facilitates money laundering and other financial crimes and should release AML/CFT-related statistics to increase transparency regarding the effectiveness of its efforts.

Vanuatu

Vanuatu has a developing agricultural and tourism-based economy; it is closely tied to the economies of Australia and New Zealand. Vanuatu is known for strict bank secrecy provisions that have prevented law enforcement agencies from identifying the beneficial owners of entities registered in the offshore sector, making that sector vulnerable to money laundering. In recent years, Vanuatu strengthened domestic and offshore financial regulation in response to international pressure, which led to a dramatic reduction in the number of offshore banks operating in Vanuatu.

On October 2, 2014, the Asia/Pacific Group on Money Laundering (APG) issued a Public Statement, indicating that Vanuatu had failed to address several noted deficiencies. The deficiencies include the failure to adequately criminalize money laundering and terrorist financing; inadequate measures to enforce targeted UNSCR sanctions against terrorists; inadequate customer due diligence (CDD); and inadequate supervisory frameworks for financial institutions and designated non-financial businesses and professions (DNFBPs).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and insurance and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 76 in 2013
Number of CTRs received and time frame: 6,467 in 2013
STR covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and cash dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Vanuatu is a member of the APG, a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=c1870a1f-0875-4c35-a49e-930df0f339b5>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Vanuatu passed the Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Act and AML/CFT regulations. However, Vanuatu has not enacted needed amendments to the Proceeds of Crime Act (POCA) and the Counter Terrorism and Transnational and Organized Crime Act (CTTOCA).

Two separate regulatory bodies have responsibility for regulating the offshore banking sector, the Reserve Bank of Vanuatu and the Vanuatu Financial Services Commission. They are supported by the financial intelligence unit (FIU), which is housed within the State Law Office. The FIU is charged with monitoring and controlling Vanuatu’s AML regime, and investigates financial crimes and suspicious transaction reports in coordination with the Vanuatu Police Force (VPF) and Prosecutor’s Office. The FIU does not have sufficient staff or financial and technical resources to effectively perform its duties, particularly in light of Vanuatu’s enhanced AML/CFT legislation.

The VPF operates a Transnational Crime Unit, which is responsible for conducting investigations involving money laundering and terrorism financing offenses, the identification and seizure of criminal proceeds, and conducting investigations in cooperation with foreign jurisdictions.

Under the POCA, Vanuatu has a legal framework for confiscating, freezing, and seizing the proceeds of crime. The mechanisms for implementing this legislative power are compromised by a lack of coordination among responsible agencies as well as general unfamiliarity with the powers provided under the legislation. Similarly, a financial institution must immediately freeze the account of a terrorist entity; however, there is a lack of coordination and communication among the relevant government agencies in terms of identifying terrorist entities as designated in the UNSCRs and distributing such information.

The overall effectiveness of Vanuatu's AML/CFT enforcement capabilities is questionable as there have not been any money laundering prosecutions or convictions. The Government of Vanuatu should fully criminalize money laundering and terrorism financing; adopt measures to fully implement terrorism-related UNSCRs; enhance and enforce customer due diligence measures; and take steps to ensure full AML/CFT compliance by financial institutions and DNFBPs. Vanuatu should continue to initiate outreach to all reporting institutions regarding their legal obligations and should ensure its enforcement agencies, principally the FIU, police, Prosecutor's Office, and Customs and Inland Revenue Department, are sufficiently resourced to be able to gather evidence, mount investigations, and bring charges. Legislatively, Vanuatu should establish requirements for financial institutions to address risks arising from new or developing technologies, and businesses operating via internet accounts.

Venezuela

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, an ineffective AML regime, limited bilateral cooperation, and endemic corruption throughout commerce and government, including law enforcement, continue to make Venezuela vulnerable to money laundering and other financial crimes. The main sources of laundered funds are proceeds generated by drug trafficking organizations and corruption in Venezuela's currency control regime.

Money laundering occurs through the Venezuelan government currency control regime, commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent and profitable method for laundering regional narcotics proceeds. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos, which in turn are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a stronger official exchange rate. It is reported some black market traders ship their goods through Margarita Island's free port, one of three free trade zones/ports in Venezuela. The use of free trade zones for trade-based money laundering has become less attractive in recent years because the margins gained by laundering money through the currency control regime have reduced the incentive to use a free trade zone to avoid import duties.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,086 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 170: January 1 - December 31, 2013

Convictions: 3: January 1 - December 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since 2003, the Government of Venezuela has maintained a strict regime of currency controls, in which private sector firms and individuals must request authorization from a government-

operated currency commission to purchase hard currency to pay for imports and for other approved uses (e.g., foreign travel). Government ministries that spend hard currency on public procurements also must request dollars from an intra-governmental committee coordinated by the central bank. Private sector banks and financial institutions cannot hold their own deposits of hard currency, so virtually all dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuelan government officials - including the president, the executive vice president, a central bank president, a finance minister, and an interior minister - have all admitted publicly over the past 12-18 months that 30-40 percent of the roughly \$53 billion the Venezuelan government spent on imports in 2013 were paid out for over-invoiced or completely fictitious transactions, i.e., schemes to defraud the currency commission and other authorities of dollars. Venezuelan government officials have also admitted publicly that corrupt public-sector employees facilitate these transactions in exchange for kickbacks.

Banking sector and law enforcement officials believe Margarita Island's (and other free trade zones') role in trade-based money laundering has diminished in recent years. There is almost a 3,000 percent spread between Venezuela's official exchange rate of 6.3 bolivars/dollar and the parallel exchange rate of 180 bolivars/dollar. This margin was less than 100 percent as recently as February 2012. The massively increased bolivar profit margins achievable by defrauding the currency commission have reduced the incentive to traffic goods through duty exempt zones to avoid paying import taxes in bolivars.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with Venezuela's National Financial Intelligence Unit, after the unauthorized disclosure of information provided to Venezuela in January 2007.

Venezuela has implemented its 2010 action plan and improved AML/CFT deficiencies. In January 2012, the national assembly passed the 2012 Organic Law Against Organized Crime and the Financing of Terrorism. The law defines and sanctions both organized crime and terrorist financing; however, the politicized judicial system compromises the law's effectiveness.

The National Office against Organized Crime and Terrorist Finance has limited operational capacity. The Superintendent of Banking Sector Institutions supervises Venezuela's financial intelligence unit – the UNIF. The UNIF should operate autonomously, independent of undue influence. The Government of Venezuela should increase institutional infrastructure and technical capacity to effectively implement its AML/CFT legislation and legal mechanisms.

Vietnam

Vietnam is not a major regional financial center. Parts of Vietnam's economy are cash-based, and while the use of bank accounts is increasing, some large transactions are still done in U.S. dollars or gold; however, aided by a stable Vietnamese dong and low inflation, in 2014 the government reduced the use of both gold and U.S. dollars. Sources of illicit funds in Vietnam

include public corruption, fraud, gambling, prostitution, counterfeiting of goods, illegal wildlife trade, and trafficking in persons. Remittances from narcotics trafficking in Australia, Canada, the UK, and the United States continue to be a significant source of illicit funds entering Vietnam, as are proceeds from narcotics traffickers using Vietnam as a transit country.

Though the government is pushing through its program to equitize state-owned enterprises and promote foreign ownership in banks, these efforts have not significantly changed the ownership structure of state-owned commercial banks (SOCBs). The Government of Vietnam continues to maintain a controlling interest in five SOCBs that collectively represent at least 50 percent of total assets in the banking system.

Almost all trade and investment receipts and expenditures are processed by the banking system, but many transactions are not monitored effectively. As a result, the banking system is still at risk of being used 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 trade-based money laundering. Illicit funds are also used to purchase real estate for subsequent resale.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; insurers; securities brokers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, and lotteries; real estate trading service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 790: January 1 - November 1, 2014
Number of CTRs received and time frame: 26.7 million: January 1 - November 1, 2014
STR covered entities: Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, and lotteries; real estate trading service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: July 1, 2013 – June 30, 2014

Convictions: 0: July 1, 2013 – June 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Vietnam is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://apgml.org/mutual-evaluations/documents/default.aspx>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 11, 2014, Vietnam issued circular 31, which amends circular 35 and strengthens AML laws by, for example, listing internal procedures banks must adopt on AML and requiring financial institutions to conduct separate audits on AML. The State Bank of Vietnam (SBV) now requires banks to have a separate AML section. Also as part of Vietnam's new laws, the country now has a system for implementing UNSCRs 1267 and 1373.

Following the installation of an electronic database system, the Anti-Money Laundering Department of the SBV has received an increasing number of suspicious transaction reports (STRs) and currency transaction reports (CTRs); from just 40 STRs in 2008 to 790 in 2014, and from 0 CTRs in 2010 to 26.7 million in 2014. There is no system to monitor compliance with STR reporting. The STRs and CTRs are now sent electronically from banks to the SBV; however, the SBV cannot share information electronically with law enforcement bodies. Reportedly, the SBV also exchanges information with several foreign financial intelligence units.

Vietnam appears to have a system for restraint and forfeiture of criminal-linked assets; however, it does not comply with international standards.

While Vietnam has the laws to combat money laundering and terrorism financing, the lack of political will and corruption make enforcement of the existing laws difficult. The SBV should analyze the financial intelligence generated and work with government authorities so that findings can be shared with domestic law enforcement.

West Bank and Gaza

The Palestinian Authority (PA) provides most governance, services, and security in "Area A" zones of the West Bank. The PA provides some governance and services in "Area B" zones of the West Bank, in which Israel retains security control. The PA has limited access to approximately 60 percent of the West Bank designated as "Area C," which remains under full Israeli civil and security control. The PA also has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup, although with the formation of an interim government of independent officials in June 2014 under the Fatah-Hamas reconciliation agreement, ministries based in Gaza are supposed to be under the control of technocrats. Security apparatuses in Gaza remain under the control of Hamas.

There are 17 banks operating in the West Bank and Gaza, seven local and 10 foreign, working through a network of 252 branches and offices. There are also 275 money changers in both the West Bank and Gaza, and nine specialized lending institutions.

The Palestinian economy is primarily cash-based. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA's security control. Within territory located in Area A, narcotics trafficking and use are not major problems. PA security forces, however, have no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, PA officials consider trade-based money laundering and customs fraud are among the largest money laundering threats to the PA.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civily:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 51 in 2014

Number of CTRs received and time frame: 384,774 in 2014

STR covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 57 in 2014

Convictions: 3 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO

Other mechanism: YES

With other governments/jurisdictions: YES

The PA is an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. The Palestinian Authority has not undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The PA has effective laws and regulations to address money laundering, notably Anti-Monetary Laundering Law #9 of 2007 (AML Law). However, the penal code (which is Jordanian law) is outdated, and most of the predicate offenses for money laundering are not felonies under this law. The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing, per se, but amendments to the AML Law to include terrorism, terrorist acts, and terrorism financing currently are under consideration by the Cabinet and, once approved, could be signed into law by executive decree. Presently, cases considered terrorism are investigated and prosecuted under another specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA submitted documents to accede to the UN Convention Against Corruption (UNCAC) on April 2, 2014, and according to the United Nations, the Convention entered into force on May 2, 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA has not sought to become a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing and does not implement UNSCRs 1267 or 1373.

KYC in the West Bank and Gaza is controlled by the AML Law and the Palestine Monetary Authority Law #2 of 1997. The PA has a very effective supervision and regulatory compliance function for financial institutions and non-financial businesses and professions (DNFBPs). The Palestine Monetary Authority (PMA) is an independent agency of the PA. The PMA is responsible for supervision and regulatory compliance of financial institutions and precious

metal dealers. Recently, the PMA implemented effective controls over licensed money service businesses. The remaining DNFBPs are supervised by the Palestine Capital Market Authority.

The Financial Follow-Up Unit (FFU) is a fully functional financial intelligence unit with 12 employees and a computer system linking it with all 17 banks licensed to operate in the PA. The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) electronically through this system. The number of filed STRs increased in 2014, while CTRs decreased slightly over the past year. The FFU also has developed an Unusual Transaction Report, covering transactions that have not been articulated as suspicious but bear closer scrutiny. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in AML Law #7 of 2007. Article 31 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office. The restrictions on information sharing have compromised the FFU's ability to disseminate information and minimized the FFU's function and ability to support law enforcement.

Prosecutors within the Attorney General's Office (AGO) are the chief investigators in the PA, holding all the powers of an investigative judge. The prosecutors' lack of manpower and investigative experience has slowed the successful prosecution of AML cases. In response, the PA has formed a multi-agency task force, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. Although the task force is intended to increase information sharing among law enforcement agencies and the FFU, meetings have been held on an ad hoc schedule. Despite the noted problems, the number of prosecutions remained consistent between 2013 and 2014. At the close of 2014, in addition to the three convictions, eight cases were still under investigation, and 38 non-guilty verdicts had been reached. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately.

Yemen

Yemen is not considered a regional financial center. The financial system in Yemen is underdeveloped, and the extent of money laundering is not well-known. Government and commercial corruption, substantial politicization of government institutions, a largely cash-based economy, and lax government enforcement of existing laws and regulations render Yemen vulnerable to money laundering and other financial abuses—including terrorism financing.

The profitability of the smuggling of goods and contraband has led to a large informal economy in Yemen. Criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks and terrorist groups operating locally. There have been a number of U.S. investigations of qat (a mild narcotic) smuggling from Yemen and East Africa into the United States, with profits laundered and repatriated via hawala networks.

Yemen has a free trade zone (FTZ) in the port city of Aden. Identification requirements are enforced within the FTZ. Truckers must file the necessary paperwork in relevant trucking company offices and must wear identification badges. FTZ employees must undergo

background checks by police, the Customs Authority, and employers. There is no evidence the FTZ is being used for trade-based money laundering or terrorism financing schemes.

The FATF included Yemen in its October 18, 2013 Public Statement because of certain AML/CFT strategic deficiencies. In June 2014, the FATF removed Yemen from its Public Statement in recognition that Yemen has taken significant steps toward improving its AML/CFT regime and implemented its action plan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES
KYC covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and designated government ministries, including the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 135: January – October 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and designated government ministries, including the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January – October 2014
Convictions: 0: January – October 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Yemen is a member of MENAFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.menafatf.org/images/UploadFiles/MER_Republic_of_Yemen.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Republic of Yemen Government and the Central Bank of Yemen (CBY) took several steps to align Yemen's AML/CFT regime with international standards by amending its 2010 AML/CFT law and implementing regulations. The amended law provides for a system to freeze, seize, and confiscate assets related to AML/CFT cases referred for prosecution. With the assistance of international experts, the Ministry of Legal Affairs is working on a draft law that will focus on recovering assets related to corruption cases.

The Financial Information Unit (FIU), Yemen's financial intelligence unit, located within the CBY, has 11 employees, including four analysts. The head of the FIU has said the unit requires 10 analysts to operate at full capacity. The FIU's computerized database is not sufficient to meet its needs and is not networked to other Yemeni government or regional financial data systems, although the government is attempting to upgrade its information technology system. FIU personnel report the unit is building a database using a program written in-house. While the law requires designated businesses to file STRs with the FIU, in practice compliance is low. An international donor is working with Yemen to increase connectivity between the CBY and other financial institutions.

Yemen has acceded to the UN Convention against Transnational Organized Crime; however, the government stipulated that any request for mutual assistance be conducted through diplomatic channels rather than through faster and more expedient administrative channels. Yemen should follow the more efficient international practice.

Compliance with Yemen's cross-border cash declaration system is lax, and Customs inspectors do not routinely file currency declaration forms if funds are discovered. Law enforcement and border control agencies should become more proactive and prevention-oriented in their efforts to combat money laundering.

Limited resources have hampered Yemen's ability to enforce AML laws and regulations. The government's capacity has been hindered as a result of the 2011 civil unrest and the government's focus on political transition. Despite limited government support, Yemeni agencies and financial institutions have been actively pursuing AML training provided by international partners. The government and private financial institutions should improve their practices, procedures, standards, and policies to more effectively deter money laundering and terrorism financing. The government should enhance its inter-ministerial coordination and its capacity to detect, investigate, and prosecute money laundering activities more quickly and effectively.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and public corruption are the main sources of laundered funds. Wildlife trafficking and human trafficking also are problems. Banks, real estate agents, insurance companies, casinos, and law firms are the institutions most commonly used to launder money. Criminals in Zambia have used structuring, currency exchanges, monetary instruments, gambling, under-valuing assets, and front companies to launder illicit proceeds. Other devices include securities, debit and credit cards, bulk cash smuggling, wire transfers, false currency declarations, and trade-based money laundering via the purchase of luxury goods, such as vehicles and real estate.

Zambia is not considered an offshore financial center. The Government of Zambia is developing a number of multi-facility economic zones that are similar to free trade zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 75 in 2012
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, insurance companies, venture capital and pension funds, leasing companies, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 55 in 2011
Convictions: 16 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=195

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Prevention and Prohibition of Money Laundering Act only indirectly requires identification of customers, as part of its requirement to document transactions. The Bank of Zambia's Anti-Money Laundering Directives of 2004 provide a direct customer identification obligation, which is applied flexibly to avoid financial exclusion in rural areas. Zambian banks have voluntarily adopted KYC rules.

The Financial Intelligence Centre (FIC), Zambia's financial intelligence unit, continues to look for capacity building and financial support from international donors. At present, most financial crimes, including money laundering, are prosecuted through the Drug Enforcement Commission (DEC), which has a dedicated Anti-Money Laundering Investigations Unit. Like much of the Zambian government, those authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources and capacity. The latest DEC Annual Report, covering 2011-2012, cites the following statistics for AML arrests: 79 (2011) and 82 (2012).

In May 2012, the Government of Zambia enacted Statutory Instrument (SI) 33, prohibiting the use of foreign currencies in domestic transactions. In July 2013, the government enacted SI 55, imposing new reporting requirements for all foreign currency transactions, including all imports and exports. These SIs were expected to aid enforcement of Zambia's AML/CFT laws and regulations; however, they were both revoked in March 2014. On January 1, 2013, Zambia transitioned to a rebased local currency, the kwacha. This is expected to aid AML enforcement by making previously concealed funds worthless.

The Government of Zambia should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally may appear in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; and increased cooperation among criminal networks and links with legal business activity, resulting in serious corruption and bribery. Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, an arms embargo, and suspended restrictions on 89 individuals and eight entities. The EU reviews its restrictions annually in February. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ, so it remains illegal for U.S. persons to transact with these corporations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 355: January 1 - October 31, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government sometimes abuses AML legislation for political purposes. More broadly, widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime.

Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament's 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch. For example, the Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the new Minister of this department has promised to improve accountability within the diamond mining sector. In 2014, Zimbabwe passed laws criminalizing human trafficking and piracy.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources to effectively combat money laundering, and many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government. In 2013, Zimbabwe issued regulations aimed at beginning its implementation of its obligations to identify and freeze terrorist assets under UNSCRs 1267 and 1373.

The Money Laundering and Proceeds of Crime Act (MLPCA), enacted in 2013, widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance (MLA). The MLPCA appears to amend the CMA to make MLA available for the investigation and prosecution of terrorist financing, but this has not yet been demonstrated. While the MLPCA appears to have removed key legal impediments to MLA, only effective implementation of the CMA, as amended, will demonstrate a lack of practical impediments.

There were a number of prosecutions and convictions for money laundering in 2013, although the exact figures are not available because there is no centralized system for compiling and collating such statistics. Between January and October 2014, the FIU referred 15 cases to the relevant law enforcement agencies for further investigation. The outcomes of those investigations, as well as the 15 referred to law enforcement during the same timeframe in 2013, are still pending.

Zimbabwe should continue to make progress on its AML/CFT regime and work to ensure its financial intelligence unit is fully operational and effectively functioning. Additionally, Zimbabwe should ensure that implementation of the MLPCA is underway.