



**United States Department of State**

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

**International  
Narcotics Control  
Strategy Report**

**Volume II**

**Money Laundering**

**March 2020**

## Table of Contents

<b>Common Abbreviations .....</b>	<b>6</b>
<b>Definitions .....</b>	<b>9</b>
<b>Legislative Basis and Methodology for the INCSR .....</b>	<b>14</b>
<b>Overview.....</b>	<b>16</b>
<b>Training Activities.....</b>	<b>19</b>
<b>Board of Governors of the Federal Reserve System (FRB).....</b>	<b>19</b>
<b>Department of Homeland Security .....</b>	<b>20</b>
<b>Customs and Border Patrol (CBP).....</b>	<b>20</b>
<b>Department of Justice .....</b>	<b>21</b>
<b>Drug Enforcement Administration (DEA).....</b>	<b>21</b>
<b>Federal Bureau of Investigation (FBI) .....</b>	<b>21</b>
<b>Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT).....</b>	<b>22</b>
<b>Department of State.....</b>	<b>24</b>
<b>Department of the Treasury .....</b>	<b>27</b>
<b>Financial Crimes Enforcement Network (FinCEN) .....</b>	<b>27</b>
<b>Internal Revenue Service, Criminal Investigations (IRS-CI) .....</b>	<b>27</b>
<b>Office of the Comptroller of the Currency (OCC) .....</b>	<b>28</b>
<b>Office of Technical Assistance (OTA) .....</b>	<b>28</b>
<b>Comparative Table Key .....</b>	<b>30</b>
<b>Comparative Table.....</b>	<b>32</b>
<b>Afghanistan.....</b>	<b>37</b>
<b>Albania.....</b>	<b>39</b>
<b>Algeria .....</b>	<b>41</b>
<b>Antigua and Barbuda.....</b>	<b>43</b>
<b>Argentina.....</b>	<b>45</b>
<b>Armenia .....</b>	<b>47</b>
<b>Aruba .....</b>	<b>49</b>
<b>Azerbaijan .....</b>	<b>51</b>
<b>Bahamas.....</b>	<b>53</b>
<b>Barbados.....</b>	<b>55</b>
<b>Belgium .....</b>	<b>57</b>
<b>Belize .....</b>	<b>59</b>

---

<b>Benin .....</b>	<b>61</b>
<b>Bolivia.....</b>	<b>63</b>
<b>Bosnia and Herzegovina .....</b>	<b>65</b>
<b>Brazil.....</b>	<b>67</b>
<b>British Virgin Islands .....</b>	<b>69</b>
<b>Burma .....</b>	<b>72</b>
<b>Cabo Verde.....</b>	<b>74</b>
<b>Canada.....</b>	<b>76</b>
<b>Cayman Islands .....</b>	<b>78</b>
<b>China, People’s Republic of.....</b>	<b>80</b>
<b>Colombia .....</b>	<b>82</b>
<b>Costa Rica .....</b>	<b>84</b>
<b>Cuba .....</b>	<b>86</b>
<b>Curacao .....</b>	<b>88</b>
<b>Cyprus .....</b>	<b>90</b>
<b>Dominica .....</b>	<b>95</b>
<b>Dominican Republic .....</b>	<b>96</b>
<b>Ecuador .....</b>	<b>98</b>
<b>El Salvador .....</b>	<b>101</b>
<b>Georgia.....</b>	<b>103</b>
<b>Ghana .....</b>	<b>105</b>
<b>Guatemala .....</b>	<b>107</b>
<b>Guyana .....</b>	<b>109</b>
<b>Haiti.....</b>	<b>111</b>
<b>Honduras.....</b>	<b>113</b>
<b>Hong Kong .....</b>	<b>115</b>
<b>India .....</b>	<b>117</b>
<b>Indonesia.....</b>	<b>119</b>
<b>Iran.....</b>	<b>121</b>
<b>Italy .....</b>	<b>123</b>
<b>Jamaica .....</b>	<b>125</b>
<b>Kazakhstan.....</b>	<b>127</b>
<b>Kenya.....</b>	<b>129</b>
<b>Kyrgyz Republic.....</b>	<b>132</b>

---

<b>Laos</b> .....	<b>134</b>
<b>Liberia</b> .....	<b>135</b>
<b>Macau</b> .....	<b>137</b>
<b>Malaysia</b> .....	<b>139</b>
<b>Mexico</b> .....	<b>141</b>
<b>Morocco</b> .....	<b>144</b>
<b>Mozambique</b> .....	<b>146</b>
<b>Netherlands</b> .....	<b>148</b>
<b>Nicaragua</b> .....	<b>150</b>
<b>Nigeria</b> .....	<b>152</b>
<b>Pakistan</b> .....	<b>154</b>
<b>Panama</b> .....	<b>156</b>
<b>Paraguay</b> .....	<b>159</b>
<b>Peru</b> .....	<b>161</b>
<b>Philippines</b> .....	<b>163</b>
<b>Russian Federation</b> .....	<b>165</b>
<b>St. Kitts and Nevis</b> .....	<b>167</b>
<b>St. Lucia</b> .....	<b>169</b>
<b>St. Vincent and the Grenadines</b> .....	<b>171</b>
<b>Senegal</b> .....	<b>173</b>
<b>Sint Maarten</b> .....	<b>176</b>
<b>Spain</b> .....	<b>178</b>
<b>Suriname</b> .....	<b>180</b>
<b>Tajikistan</b> .....	<b>182</b>
<b>Tanzania</b> .....	<b>184</b>
<b>Thailand</b> .....	<b>186</b>
<b>Trinidad and Tobago</b> .....	<b>187</b>
<b>Turkey</b> .....	<b>189</b>
<b>Turkmenistan</b> .....	<b>191</b>
<b>Ukraine</b> .....	<b>193</b>
<b>United Arab Emirates</b> .....	<b>196</b>
<b>United Kingdom</b> .....	<b>198</b>
<b>Uzbekistan</b> .....	<b>200</b>
<b>Venezuela</b> .....	<b>202</b>

---

**Vietnam.....204**

## Common Abbreviations

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

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

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



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## Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Legislative Basis and Methodology for the INCSR

The 2020 volume on *Money Laundering* is a legislatively-mandated section of the annual International Narcotics Control Strategy Report (INCSR), in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291).<sup>1</sup>

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

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

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

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

The following countries/jurisdictions have been identified this year:

### Major Money Laundering Jurisdictions in 2019:

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

<sup>1</sup> This 2020 report on Money Laundering is based upon the contributions of numerous U.S. government agencies and international sources. Specifically, the U.S. Treasury Department’s Office of Terrorist Financing and Financial Crimes, Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance; Department of Homeland Security’s Immigrations and Customs Enforcement and Customs and Border Protection; Department of Justice’s Money Laundering and Asset Recovery Section, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

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

## Overview

Money laundering remains a serious global threat. In 2019, increasingly sophisticated criminal organizations, terrorists, kleptocrats, and other illicit actors continued to seek out the weak links in global anti-money laundering and countering the financing of terrorism (AML/CFT) countermeasures. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials, and destabilization of their economies. New technologies, growing diversification of and linkages between transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities.

The increased sophistication of global money laundering networks amplifies the need for jurisdictions to develop and implement effective AML/CFT regimes consistent with international standards. The ability to meet evolving challenges is vital to the maintenance of solvent, secure, and reliable financial, commercial, and trade systems. This report gives many examples of the determination of jurisdictions to dismantle illicit activities. To that end, the United States, a founding member of the Financial Action Task Force (FATF), has worked within the organization, and with partner countries and FATF-style regional bodies, to promote compliance with FATF recommendations. It has also supported, through technical assistance and other means, the development and implementation of robust AML regimes in jurisdictions around the world.

The 2020 edition of the Congressionally-mandated “International Narcotics Control Strategy Report, Volume II: Money Laundering” focuses on the exposure to this threat in the specific context of narcotics-related money laundering. The report provides a review of the AML legal and institutional infrastructure of jurisdictions, highlights the most significant steps each has taken to improve its AML regime, describes key vulnerabilities and deficiencies, and identifies each jurisdiction’s capacity to share information and cooperate in international investigations. The report also highlights the United States government’s provision of AML-related technical assistance.

The opacity of beneficial ownership has long been of serious concern to the AML community, enabling criminals to hide illicit funds behind layers of secrecy. Shell companies are used by drug traffickers, criminal organizations, corrupt officials, and some regimes to launder money and evade sanctions. “Off-the-shelf” international business companies (IBCs), often purchased via the internet, remain a significant concern by creating a vehicle through which nominee directors from a different country may effectively provide anonymity to the true beneficial owners. While the 2020 report demonstrates that beneficial ownership transparency remains a vulnerability in many jurisdictions, it also highlights a number of significant steps that have been taken on the issue. For example, the UK and British Virgin Islands have implemented registers of beneficial owners, and St. Lucia has new beneficial ownership registers for IBCs and international trusts. Panama and Senegal are finalizing legislation to create similar registers. Trinidad and Tobago passed amendments to its Companies Act, improving the adequacy and accuracy of beneficial ownership information, and the Ukrainian parliament passed in the first reading a new bill that would improve disclosure of beneficial owners.



Another long-standing area of concern is trade-based money laundering (TBML). Trade-based systems act as a kind of parallel method of transferring money and value around the world. Systems such as hawala, the black market peso exchange, and the use of commodities such as gold and diamonds are not captured by many financial reporting requirements. These systems pose tremendous challenges for law enforcement around the world. TBML, often based simply on the alteration of shipping documents or invoices, is frequently undetected unless jurisdictions work together to share information and compare documentation. The growing network of Trade Transparency Units (TTUs), now numbering close to 20, has revealed the extent of transnational TBML through the monitoring of import and export documentation. The TTUs focus on detecting anomalies in trade data—such as deliberate over and under-invoicing—that can be a powerful predictor of TBML.

In addition to the continuing widespread use of traditional laundering methods, new technologies continue to gain popularity. The growth of mobile payments has exploded in parts of Africa, introducing people to financial services they previously were not able to access. In Africa, South Asia, and other parts of the world, the use of mobile telephones to send and receive money or credit has surpassed bank account ownership. In Kenya, roughly 225,000 mobile money agents are operating. One large mobile lender has over 22 million registered subscribers, with 5 million active users. While they are useful in expanding banking services to formerly unbanked populations and in reducing the volume of cash transactions, they also create opportunities for exploitation by criminals and terrorists. The ability to transfer funds between parties without involving banks or other financial institutions severely restricts the transparency of mobile payments and raises the risk criminal and terrorist organizations will co-opt these payment services.

Similarly, virtual currencies are growing in popularity and expanding their reach. Their rapid development poses policy, legal, and enforcement challenges. While many jurisdictions continue to study the phenomenon, some governments are beginning to respond to the growing use of digital systems. Italy enacted a decree law to clarify virtual currency treatment under AML statutes, and the Cayman Islands adopted new legislation to cover virtual service providers. Canada published regulatory amendments requiring virtual currency dealers to register as money service businesses (MSBs) and comply with legislative AML/CFT obligations. Canadian financial institutions will be prohibited from establishing and maintaining accounts for unregistered virtual currency businesses. The Colombian congress introduced a bill that seeks to regulate virtual currency exchanges. Conversely, India drafted legislation calling for possible prison sentences for those holding, selling, or dealing in crypto-currencies.

FATF's recent focus on money laundering methodologies used by human trafficking networks has led members of FATF and the FATF style-regional bodies to reinforce their efforts in these areas. In this age of economic disparity, regional wars, and violent criminal organizations, human trafficking and migrant smuggling have expanded globally. The transnational nature of the activity means national boundaries pose few, if any, barriers to criminal enterprises, and rapid and far-reaching digital payments or internationally-recognized currencies work as much to the benefit of crime syndicates, by easing associations and transfers and providing rapid movement, as they do for legitimate enterprises. Jurisdictions are beginning to focus on these activities. Turkish authorities reported uncovering the largest human smuggling ring in Europe,

and Thailand exercised its authority to seize assets in a number of suspected human trafficking cases.

Corruption is a significant by-product, and facilitator of, the international drug trade and transnational organized crime. While corruption risks occur in any country, the risks are particularly high in countries where political will may be weak, institutions ineffective, or the country's AML infrastructure deficient. The 2020 report highlights actions several governments are taking to more effectively address corruption and its links to money laundering. As with money laundering, while legislative and institutional reforms are an important foundation, robust and consistent enforcement is also key. The ability to identify and seize the assets of corrupt politically exposed persons (PEPs) is a vital function. Argentina, Mexico, and Trinidad and Tobago established non-conviction-based forfeiture frameworks, and Argentina has negotiated tax information exchange agreements with several countries. Georgia expanded its law to extend enhanced due diligence measures to domestic PEPs and the heads of intergovernmental organizations. Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission before the officials can open a foreign bank account. Ecuador, Guatemala, and Malaysia have investigated and prosecuted high-level government officials for bribery, embezzlement, illicit enrichment, and organized crime, including a former president, former prime minister, former vice president, congressman, and former minister.

As political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems, the continued development of effective AML regimes consistent with international standards is vital. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important agenda, promoting compliance with international norms and strengthening capacities globally to combat money laundering.

## Training Activities

During 2019, the United States continued its endeavors to strengthen the capacity of our partners in the fight against money laundering. U.S. law enforcement and regulatory agencies shared best practices and provided training and technical assistance on money laundering countermeasures, financial investigations, and related issues to their counterparts around the globe. The programs built the capacity of our partners and provided the necessary tools to recognize, prevent, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. U.S. government agencies supported courses in the United States as well as in the jurisdictions of the program beneficiaries. U.S. agencies provided instruction directly or through other agencies or implementing partners, unilaterally or in collaboration with foreign counterparts, and with either a bilateral recipient or in multijurisdictional training exercises. The following is a representative, but not necessarily exhaustive, overview of the capacity building provided and organized by sponsoring agencies.

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

The FRB conducts a Bank Secrecy Act (BSA) and OFAC compliance program review as part of its regular safety-and-soundness examination. These examinations are an important component in the United States' efforts to detect and deter money laundering and terrorist financing. The FRB monitors its supervised financial institutions' conduct for BSA and OFAC compliance.

Internationally, during 2019, the FRB conducted training and provided technical assistance to banking supervisors on AML topics during three seminars: one in Pretoria, South Africa; one in San Salvador, El Salvador; and one in Washington, D.C. Participants in these FRB initiatives were from the following countries: Armenia, Belize, Brazil, Canada, Curacao, Czech Republic, El Salvador, Germany, Ghana, Guatemala, Hong Kong, Italy, Jamaica, Kuwait, Lebanon, Malawi, Nigeria, Sri Lanka, Zambia, and Zimbabwe.

## **Department of Homeland Security**

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

From April 21-May 4, 2019, international officers from CBP's Office of International Affairs traveled to Port au Prince, Haiti to conduct CBP's first ever Capacity Building and Assistance training on the ground. Two courses were provided back to back: Border Enforcement Training and Fraudulent Document Training. The newly created Haitian National Border Police Unit received in-depth training on fraudulent documents and border enforcement techniques such as defensive tactics, arrest and interview techniques, and how to properly conduct a vehicle search. These training courses were designed to build Haitian Border Police capacity to deter and investigate drug trafficking and transnational crime at the Haiti-Dominican Republic land border, as well as at Haitian seaports and airports. These courses also advance U.S. Congressional interests in strengthening border security across the Haiti-Dominican Republic land border. The class was comprised of 25 students from the four main ports of entry in Haiti.

## Department of Justice

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

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

ODF also conducts training for DEA field offices, both domestic and foreign, as well as for foreign counterparts, in order to share strategic ideas and promote effective techniques in financial investigations. During 2019, ODF participated in and led a number of workshops and strategy sessions focused on money laundering trends, TBML, private sector engagement, guidance and overview on undercover money laundering operations, virtual currency, and investigative case coordination.

DEA has prioritized the financial aspects of investigations and has made this a key element of Priority Target Investigations, the Domestic Cartel Initiative, and Organized Crime Drug Enforcement Task Force investigations. DEA has dedicated financial investigative teams across its domestic offices as well as foreign-based DEA teams in Mexico, Peru, Panama, and Colombia. During 2019, DEA has participated in money laundering training courses and workshops with a number of international partners, to include but not limited to: Canada, Mexico, France, the Netherlands, United Kingdom, Australia, and Colombia.

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

The FBI provides training and/or technical assistance to national law enforcement personnel globally. Training and technical assistance programs enhance host country law enforcement's capacity to investigate and prosecute narcotics-related money laundering crimes. The FBI has provided workshops introducing high-level money laundering techniques used by criminal and terrorist organizations. The training may focus on topics such as a foundational understanding of drug trafficking investigative and analytical techniques and tactics, money laundering and public corruption, or terrorism financing crimes and their relationship to drug trafficking as a support for terrorism activities. In 2019, the FBI provided financial crime and money laundering training

to Argentina, Ghana, Iraq, Mongolia, Panama, Saudi Arabia, and Vietnam. Canada, Germany, Netherlands, Switzerland, and the UK participated in a regional workshop on international mass marketing fraud; and Armenia was provided training in money laundering and hidden asset investigation training.

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

In 2019, with funding from INL, OPDAT provided expert AML assistance throughout the world consistent with international standards and in furtherance of U.S. national security:

### **Africa**

OPDAT and FBI provided regular AML and asset forfeiture training and mentoring to investigators and prosecutors in Ghana. This engagement contributed to the success of *Operation Rewired*, an FBI-led operation resulting in the seizure of nearly \$3.7 million and the recovery of approximately \$118 million in fraudulent-wire transfers. OPDAT and DHS also assisted The Gambia on financial investigations to retrieve money illicitly laundered by the former president. Finally, OPDAT and INL have established a West Africa Financial Crimes and Kleptocracy Program to coordinate future AML work.

### **Asia and the Pacific**

OPDAT-Indonesia developed the capacity of prosecutors and investigators to effectively investigate and prosecute money laundering cases. OPDAT-Philippines conducted four AML programs for 148 officials, and OPDAT-Bangladesh supported counterparts in developing best practices in investigating and prosecuting money laundering cases. OPDAT-Timor Leste provided AML capacity building to 60 officials. OPDAT-Nepal conducted three financial crimes programs for 140 officials and an AML study visit to the United States. OPDAT-Burma conducted a series of AML and financial crimes workshops for members of the Transnational Crime Program.

### **Europe**

Through regional and bilateral workshops, OPDAT developed the forensic accounting skills of police and prosecutors throughout the Western Balkans, including Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. OPDAT also conducted five AML programs to provide skills development training to prosecutors, investigators, and FIU officials in Romania and Latvia. Additionally, OPDAT intensified financial investigations and AML technical assistance to Serbia's economic crime and anticorruption task forces, prosecutors, and the Serbian FIU.

### **Western Hemisphere**

OPDAT continued to build Mexico's AML capacity by providing case-based mentoring as well as support to the Mexican Congress, leading to the passage of a new asset forfeiture law. OPDAT helped Honduran counterparts develop and implement an AML regime compliant with international standards and provided regular AML and asset forfeiture assistance and mentoring to Guatemalan and Salvadoran prosecutors, investigators, judges, and AML units. OPDAT's

Judicial Studies Institute hosted an asset forfeiture course for 24 judges from Colombia, Costa Rica, the Dominican Republic, Honduras, Mexico, and Peru.

## Department of State

The DOS' INL works to keep Americans safe by countering crime, illegal drugs, and instability abroad. INL does this by strengthening criminal justice systems and law enforcement agencies around the world. Through its international technical assistance and training programs, in coordination with other DOS bureaus, U.S. government agencies, and multilateral organizations, INL addresses a broad range of law enforcement and criminal justice areas, including developing strong AML regimes around the world.

INL and its partners design programs and provide AML training and technical assistance to countries that demonstrate the political will to develop viable AML regimes. The strategic objective is to disrupt the activities of transnational criminal organizations and drug trafficking organizations by disrupting their financial resources. INL funds many of the regional training and technical assistance programs offered by U.S. law enforcement agencies, including those provided at the INL-managed International Law Enforcement Academies.

Examples of INL sponsored programs include:

**Global:** INL implements multilateral projects that build and enhance our partners' ability to address financial crime within the broader security sector and increase partners' agility to address emerging threats. Current projects are focused on improving effective interagency and international coordination on money laundering cases, including complex money laundering cases involving cryptocurrencies and TBML with the objective to yield higher numbers of investigations, prosecutions, seizures, and confiscations worldwide.

**Afghanistan:** INL, DOJ, and the UK National Crime Agency (the donors) completed a train-the-trainer program on AML/CFT for Afghan judges, prosecutors, and investigators. This training effort, launched in 2018, was designed to build the capacity of Afghan police detectives, investigators, and financial analysts to better utilize Afghanistan's AML/CFT legislative framework and financial investigative tools. Following a pre-training workshop in Kabul, the donors held a round of trainings in February 2019 in Indonesia. The program concentrated on complex issues and obstacles that Afghan officials face in combatting transnational criminal organizations and terrorist financing. In June 2019, the donors selected 15 of the trained officials for a train-the-trainer program. Participants in this training program included a diverse range of AML/CFT stakeholders, including the Major Crimes Task Force, Financial Transactions and Reports Analysis Center of Afghanistan, National Directorate of Security, Anti-Corruption Justice Center, Counter Narcotics Justice Center, Office of Asset Recovery, Attorney General's Office, and the Ministry of Interior Affairs Intelligence and Investigation Unit.

**Central America:** In El Salvador, Guatemala, and Honduras, INL supports the deployment of Department of Justice resident legal advisors who focus on financial crimes. INL also works with specialized units in the offices of the attorneys general in each of these countries to provide mentoring, advice, and the skills needed to investigate and prosecute crimes with a money laundering nexus. INL support to U.S. Immigration and Customs Enforcement-vetted Transnational Criminal Investigative Units in El Salvador, Guatemala, Honduras, and Panama helps disrupt and dismantle transnational criminal organizations and investigate crimes,



including money laundering. INL support to the Salvadoran government's anti-extortion unit led to the government's first investigation into MS-13 financing networks, resulting in convictions and the disruption of significant financial assets. These efforts also led to the arrest of the leader of an MS-13 cell with significant reach in the United States, who has since been sentenced to prison on various charges, including specific money laundering charges.

**Colombia:** The program in Colombia focuses on the Attorney General's Office (AGO), the Colombian National Police, and the judiciary with the following objectives: improve AGO professional and complex money laundering investigations and prosecutions, increase TBML seizures and investigations in port of entry chokepoints, and develop judicial capacity to adjudicate money laundering cases.

**Eastern Caribbean:** Under the Caribbean Basin Security Initiative, INL's Caribbean Anti-Crime Program empowers subject-matter experts to develop partner-country capacity to forfeit illicitly-obtained assets and build investigative capacity. Targeted efforts include standing up and mentoring dedicated asset recovery divisions in St. Vincent and the Grenadines and Grenada; promoting mutual legal assistance and information sharing between Caribbean countries; promoting international best practices for seized asset management, and building Caribbean partners' investigative and prosecutorial capacity through forensic accounting.

**Ecuador:** INL funded several AML-related training activities for Ecuador in 2019, which included sending 10 Ecuadorian government officials to attend two AML-related courses at INL's International Law Enforcement Academy.

**Jamaica:** INL helps officials develop skills to investigate and prosecute lottery scams, money laundering, and organized and financial crime. INL-provided analytic software helps the Financial Investigation Division of the Ministry of Finance interact with international and Jamaican financial institutions.

**Kazakhstan:** INL and Kazakhstan's team of National Instructors from the Regional Hub on Combating Transnational Threats of the Prosecutor General's Office's Law Enforcement Academy and the Justice Academy of the Supreme Court conducted a financial crime and recovery of stolen assets workshop for judges in June 2019. The 35 participating judges noted their appreciation for the course, which allowed them to examine practices on non-conviction-based asset forfeiture that became available in Kazakhstan in 2018.

**Mexico:** INL supports AML programming with a variety of Mexican agencies focused on four key areas: case-based mentoring of federal AML prosecutors; specialized financial crime investigation training; fostering collaboration among the Mexican agencies involved in money laundering investigations, including regulatory institutions; and expanding INL's assistance beyond the federal level to those Mexican states demonstrating the requisite political will to tackle this problem. INL also is supporting Mexico's implementation of its updated asset forfeiture law.

**Suriname:** INL is supporting Suriname's efforts to complete an AML/CFT national risk assessment. Other key activities include building capacity to monitor non-financial institutions

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at risk for money laundering and training on investigating and litigating financial crimes. The project is implemented by the OAS's Department against Transnational Organized Crime.

**Trinidad and Tobago:** INL supports Trinidad and Tobago's efforts to prevent the use of the country's financial markets for money laundering. INL provides training and equipment for the FIU and the Police Service's new White Collar Crimes Unit. INL conducted AML investigation and civil asset forfeiture workshops for the Office of the Director of Public Prosecutions. An INL regional asset forfeiture advisor also provided input into new relevant legislation adopted in 2019.

**Uzbekistan:** Within the framework of a pilot project aimed at combating drug trafficking-related illicit financial flows, in February 2019, UNODC experts trained 40 Uzbek professionals—including officers from the Financial Intelligence Unit of the Prosecutor General's Office, law enforcement, and bank and stock exchange specialists—on international AML/CFT standards. Trainers from Austria, Ukraine, France, and Kazakhstan shared best practices in AML operational and strategic case analysis, financial investigations, and building effective compliance systems. The Uzbek participants highlighted the importance of closer international cooperation on AML/CFT and requested additional training on virtual currencies.

**West Africa:** In support of West African efforts to combat money laundering, INL funded a UNODC program to provide training, including instructor development, to assist legal, financial, and law enforcement authorities. The program is designed to develop the skills necessary to effectively identify, investigate, prosecute, and disrupt money laundering and terrorism financing. The countries included in the project are Benin, Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

## Department of the Treasury

### ***Financial Crimes Enforcement Network (FinCEN)***

FinCEN is the United States FIU, administrator of the Bank Secrecy Act, and primary regulator of AML/CFT activity. FinCEN conducts bilateral and multilateral training and assistance with foreign counterpart FIUs and various domestic and international agencies and departments. This work includes, but is not limited to: multilateral information sharing projects focused on specific topics of interest among jurisdictions; analyst exchange programs and trainings; and programs that enhance analytic capabilities and strengthen operational collaboration to identify, track, and develop actionable operational intelligence.

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

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

IRS-CI participated in training at the International Law Enforcement Academies (ILEAs) located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; Accra, Ghana; and San Salvador, El Salvador. Programs included Financial Investigative Techniques training, Financial Investigations for Public Corruption, and Inter-Agency Cooperation in Financial Investigations. Nine specialized courses were delivered at the ILEAs. In addition, instructors participated in OPDAT Anti-Corruption and Asset Recovery Courses delivered at ILEA Budapest, ILEA Gaborone, and ILEA Bangkok, and a TBML workshop in Mexico City for Mexican investigators and prosecutors from the Ministry of Finance agencies and Attorney General's Office.

Financial Investigative Techniques courses were delivered in Panama City, Panama and in Valetta, Malta. Funding was provided by INL and the Department of Defense European Command. Training in Buenos Aires, Argentina for the Finance and Tax Crime Academy of the OECD was attended by law enforcement officials from countries including Argentina, Brazil, Columbia, Mexico, Panama, and Peru. A Financial Investigations for Public Corruption course was delivered to participants from Guyana, Palau, and Thailand. Funding was provided by INL and the International Law Institute.

IRS-CI provided Money Laundering/Cryptocurrency training at the Asset Recovery Inter-Agency Network for the Caribbean and Cryptocurrency Investigations training to the Regional Security System in Antigua and law enforcement in the British Virgin Islands. IRS-CI Cyber Crimes Unit (CCU) partnered with the Swedish Economic Crime Authority – Ekobrottsmyndigheten) and delivered a cybercrime/cryptocurrency workshop in Stockholm, Sweden about the efforts/capabilities in fighting cybercrime and money laundering. Finally, the

CCU worked with the Icelandic Tax Directorate (ITD) to provide a course on case selection, gathering/handling evidence, and documenting money laundering cases.

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

The U.S. Department of Treasury's OCC charters, regulates, and supervises all national banks and federal savings associations in the U.S. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, as well as consumer protection laws and implementing regulations. The OCC also sponsors several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, designed specifically for foreign banking supervisors, to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2019 AML School was attended by foreign supervisors from Aruba, Austria, Belize, Canada, Germany, Hong Kong, India, Latvia, Netherlands, Philippines, Saudi Arabia, Singapore, South Korea, and Suriname. Additionally, OCC officials met with representatives from foreign law enforcement authorities, FIUs, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

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

Each of OTA's five teams – Revenue Policy and Administration, Budget and Financial Accountability, Government Debt and Infrastructure Finance, Banking & Financial Services, and Economic Crimes – focuses on particular areas to establish strong financial sectors and sound public financial management in developing and transition countries. OTA works side-by-side with counterparts through mentoring and on-the-job training, which is accomplished through co-location at a relevant government agency. OTA's activities are funded by a direct appropriation from the U.S. Congress as well as transfers from other U.S. agencies, notably the U.S. State Department and the U.S. Agency for International Development.

The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to help foreign governments develop and implement internationally compliant AML/CFT regimes. In this context, the ECT also addresses underlying predicate crimes, including corruption and organized crime. ECT engagements are based on express requests from foreign government counterparts and the results of an onsite assessment by ECT management, which considers the jurisdiction's noncompliance with international standards and the corresponding needs for technical assistance, as well as the willingness by the counterparts to engage in an active partnership with the ECT to address those deficiencies.

An ECT engagement, tailored to the specific conditions of the jurisdiction, may involve placement of a resident advisor and/or utilization of intermittent advisors under the coordination of a team lead. The scope of ECT technical assistance is broad and can include awareness-raising aimed at a range of AML/CFT stakeholders; improvements to an AML/CFT legal

framework, including legislation, regulations, and formal guidance; and improvement of the technical competence of stakeholders. The range of on-the-job training provided by the ECT is equally broad and includes, among other topics, supervisory techniques for relevant regulatory areas; analytic and financial investigative techniques; cross-border currency movement and TBML; asset seizure, forfeiture, and management; and the use of interagency financial crimes working groups.

In 2019, following these principles and methods, the ECT delivered technical assistance to Angola, Argentina, Belize, Botswana, Cabo Verde, Dominican Republic, the Eastern Caribbean Central Bank, Iraq, Liberia, the Maldives, Mongolia, Paraguay, Sierra Leone, Sri Lanka, St. Vincent & the Grenadines, and Trinidad & Tobago.

## Comparative Table Key

The comparative table following the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2019, that jurisdictions have, or have not, taken to combat drug money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. **For those questions relating to legislative or regulatory issues, "Y" is meant to indicate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.**

### Glossary of Terms

- “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to illicit proceeds generated by the drug trade.
- “Know-Your-Customer Provisions”: By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know-Your-Customer/Customer Due Diligence (KYC/CDD) programs for their customers or clientele.
- “Report Suspicious Transactions”: By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions (STRs) to designated authorities.
- “Maintain Records over Time”: By law or regulation, banks and other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction's borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- “Financial Intelligence Unit is a Member of the Egmont Group of FIUs”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to competent authorities disclosures of financial information in order to counter drug money laundering, and the FIU has become a member of the Egmont Group of FIUs.
- “International Law Enforcement Cooperation”: No known legal impediments to international cooperation exist in current law. Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request.
- “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by drug money laundering activities.
- “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.

- “Information Exchange Agreements with Non-U.S. Governments”: The country/jurisdiction is a member of the Egmont Group of FIUs or has in place treaties, MOUs, or other agreements with other governments to share information related to drug-related money laundering.
- “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “Financial Institutions Transact in Proceeds from International Drug Trafficking That Significantly Affects the U.S.”: The jurisdiction’s financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency; currency derived from illegal drug sales in the United States; or illegal drug sales that otherwise significantly affect the United States.

## Comparative Table

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

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

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



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

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

<sup>4</sup>

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

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

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

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

# Afghanistan

## OVERVIEW

Terrorist and insurgent financing, money laundering, bulk cash smuggling, Afghanistan's inability to collect exact customs' revenue, fraud, and abuse of informal value transfer systems continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer, and methamphetamine production is rising. Corruption remains a significant obstacle to the nation's progress. The Afghan government has enacted laws and regulations to combat financial crimes but faces a significant challenge in implementing and enforcing existing laws and regulations. Political uncertainty in the coming year stemming from a twice-delayed presidential election could further complicate AML efforts.

## VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

## KEY AML LAWS AND REGULATIONS

Afghanistan has a comprehensive AML law. Significant provisions include the criminalization of money laundering; KYC and STR provisions; establishment of the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU; and asset seizure and forfeiture authority, to include establishment of an asset recovery/sharing fund. Fit and proper regulations help ensure financial institutions are well managed and persons who own or control them meet certain criteria. Cash courier regulations, as amended, establish a cross-border currency reporting requirement and ensure seizure or restraint of funds is authorized where there is a suspicion of money laundering.

Although Afghanistan's legislation allows for extradition based upon multilateral arrangements, Article 28 of the Afghan Constitution requires reciprocal agreements between Afghanistan and the requesting country. The United States does not have an extradition treaty with Afghanistan and cannot reciprocate under the multilateral treaties. There is no bilateral MLAT between the United States and Afghanistan, but both countries are parties to multilateral conventions that provide a legal basis for assistance.

Afghanistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/a-c/afghanistan/documents/mutualevaluationofafghanistan.html>.

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

The poor security environment, endemic corruption, and a lack of investigative and prosecutorial capacity impact central bank supervision and FIU regulation of MSBs and money exchanges. Nevertheless, FinTRACA should devise new ways to expand supervision and implementation of the MSB/hawala licensing program, including by improving its outreach program to educate covered entities. The central bank should continue to enhance its AML/CFT supervision capabilities. Regulators and enforcement officers need adequate security and resources, political support, and continued training to supervise the financial sector and investigate financial crimes. Afghanistan should fully enforce market manipulation and counterfeiting as predicates for money laundering, and should strengthen AML supervision of financial institutions and DNFBPs.

Lack of supervision and regulation of precious metals and stones dealers, lawyers, accountants, and real estate agents remains a significant challenge.

**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, lack of full independence, and poor infrastructure. Law enforcement officers, prosecutors, and judges continue to need training on effective, lawful asset seizure, and the Afghan government should work with international partners to implement procedures for money laundering seizures. Afghanistan should continue to improve seizure and confiscation procedures in cases involving narcotics and drug trafficking.

Many hawalas use the formal banking sector for day-to-day operations and to settle balances with other hawalas, both domestically and abroad. However, hawalas generally fail to file STRs because of a history of opacity, lack of technical capacity, and an unwillingness to implement CDD requirements, which they view as overly burdensome.

Insurance companies and securities dealers are also required to file STRs, but the government does not fully enforce this requirement.

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

Despite these obstacles, FinTRACA's leadership is dynamic and eager to pursue the organization's objectives. In 2019, FinTRACA's compliance fines surpassed the 2018 total, and it conducted its first of many AML/CFT review examinations of the largest hawala. The FinTRACA team, along with interagency counterparts, looked for unregistered hawalas and

conducted AML/CFT reviews of the books of registered hawalas. In late 2019, FinTRACA successfully executed an MOU with the AGO to increase information-sharing and FinTRACA's ability to provide its subject matter expertise in support of financial crimes investigations.

Kabul International Airport continues to demonstrate ineffective currency controls for all passengers and cargo, although recent efforts to reform Afghanistan's customs service and its operations have shown promise in reducing currency smuggling by air passengers and cargo. Afghanistan should strengthen inspection controls and enforcement of the currency declaration regime at airports and borders.

## **Albania**

### **OVERVIEW**

The Government of Albania made little progress toward thwarting money laundering and financial crimes in 2019. Albania remains vulnerable to money laundering due to corruption, organized crime networks, and weak legal and government institutions. The country has a large cash economy and informal sector, with significant remittances from abroad. Major proceeds-generating crimes include drug trafficking, tax evasion, and smuggling. Albanian organized crime organizations are known to have links with networks operating in Europe and South America. Ongoing judicial reforms, to include the vetting of judges and prosecutors and the creation of multiple specialized police units targeting financial and economic crimes, have improved Albania's prospects for addressing money laundering. These efforts, however, are still hamstrung by the capacity challenges of recently established justice institutions and the pervasive corruption that undermines existing rule of law.

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

Narcotics trafficking and illegal business dealings of organized crime gangs are the major sources of illicit funds. Albania's proximity to Europe and the presence of Albanian organized crime in Western Europe and South America make it more vulnerable to money laundering. Investing in real estate and business development projects are among the most prevalent methods of hiding illicit proceeds.

As of January 1, 2019, Albanian law prohibits all sports and electronic betting games, closing more than 4,500 betting establishments. While legal loopholes still allow gambling in casinos of five-star resorts as well as online betting, the law eliminates a significant brick-and-mortar mechanism that allowed criminals to launder or hide illicit funds.

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

Albania has CDD and STR requirements in place. Legal reforms in 2016 and 2017, aimed at tackling corruption and organized crime, include justice system reforms, vetting of judges and prosecutors for unexplained wealth, and a revamped law governing asset confiscation. More

than 60 percent of judges and prosecutors vetted to date have failed due to unexplained wealth or personal ties to questionable entities.

Albania completed its second updated money laundering/terrorist financing national risk assessment in June 2019. A draft action plan to address identified risks was also approved.

The Albanian State Police's dedicated Economic Crime Unit is tasked with AML efforts. The Albanian FIU is undergoing leadership changes and seeking international technical assistance.

Albanian law requires annual asset disclosure by public officials (extending to beneficial ownership of assets), including a requirement that officials declare preferential treatment. Provisions prohibiting officials from keeping substantial cash outside of the banking system also exist.

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

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

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

Albania has a substantial black market for smuggled goods, facilitated by weak border controls and customs enforcement. Ineffective cross-border control of currency movement remains a problem, although a new unit to enhance detection, established in 2018, has increased cash seizures at the borders.

Albanian courts often refuse to convict for money laundering absent a conviction for a predicate offense, even though this is not specifically required by law. General Guidance No. 6 requires prosecutors to conduct parallel financial investigations and confiscate criminal assets when dealing with corruption, organized crime, illegal trafficking, money laundering, and other listed offenses. When implemented properly, the legal and policy changes result in better enforcement of money laundering and financial crime laws.

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

Albania must implement existing laws effectively and continue to develop the capacity of its police and prosecutors to focus on corruption, money laundering, and economic crimes. The Prosecutor General's Office (PGO) and Ministry of Interior have entered into a cooperation agreement to tackle organized crime and corruption. A specialized prosecution office was established in December 2019, and in 2020, a specialized investigative unit will be established to work in partnership with the new prosecutors. Known as the Special Structure for Anti-Corruption and Organized Crime, the two offices will work together to form Albania's first independent agency to target these two activities. Further specialization in investigating and prosecuting financial crime will be established within district offices.



Implementation of the substantial criminal code reforms of 2016 and 2017 is still a challenge. Despite a sizeable number of money laundering investigations in recent years, the number of related prosecutions remains low. In 2019, 129 new money laundering investigations were opened by the PGO; 31 defendants were tried in court, of which 13 were convicted. Additionally, the Albanian State Police investigated 322 money laundering crimes and 2,446 financial crime cases in 2019, leading to over \$78 million in sequestered cash and property. The comprehensive, centralized collection of statistics relating to investigations, prosecutions, convictions, and seizures should be improved.

Albania had some success against organized crime figures in 2019. High-profile drug kingpin, Klement Balili, dubbed the “Pablo Escobar of the Balkans,” is a former Albanian local government official accused of trafficking drugs into Greece. Greece convicted him *in absentia* for narcotics smuggling, but he had been in hiding in Albania for two years. Using the civil Anti-Mafia law, prosecutors temporarily sequestered Santa Quaranta, Balili’s luxury hotel, and 19 other properties in Albania in 2017, which put financial pressure on Balili. He eventually surrendered in early 2019 and was sentenced to 10 years in prison on charges of drug trafficking, organized crime, money laundering, and concealing of assets.

## Algeria

### OVERVIEW

The extent of money laundering through Algeria’s formal financial system is understood to be minimal due to stringent regulations and a banking sector dominated by state-owned banks. Algerian authorities monitor the banking system closely. The Algerian financial system is highly bureaucratic and provides for numerous checks on all money transfers. The continued prevalence of archaic, paper-based systems and banking officials not trained to function in the modern international financial system further deter money launderers, who are more likely to use sophisticated transactions. However, a large informal, cash-based economy, estimated at 40 percent of GDP, is vulnerable to abuse by criminals. The real estate market is particularly vulnerable to money laundering.

Notable criminal activity includes trafficking, particularly of bulk cash, drugs, cigarettes, arms, and stolen vehicles; theft; extortion; and embezzlement. Public corruption and terrorism remain serious concerns. Porous borders allow smuggling to flourish.

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

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The restricted convertibility of the Algerian dinar enables the Central Bank of Algeria to monitor Algerian banks’ international financial operations. Money laundering in Algeria occurs

primarily outside the formal financial system, through tax evasion, abuse of real estate transactions, and commercial invoice fraud. Cases of customs fraud, the use of offshore tax havens, and incidences of TBML increasingly concern Algerian authorities. Algeria's extensive informal economy and nearly exclusive use of cash heighten the risk of financial crimes.

Al-Qaida in the Islamic Maghreb, which operates in parts of Algeria, raises money through drug trafficking and trading, extortion, fees imposed on smugglers, and hostage taking. Instability in neighboring Libya threatens the security of Algeria's borders and provides openings for extremist organizations and transnational criminal networks to gain strength.

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

There were no legislative changes noted in 2019. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive Decree no. 13-157, on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153, fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02, establishing rules for the application of the penal code to AML/CFT. AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding U.S. \$1,000. In addition, Algerians must use the formal banking system to complete all payments for certain purchases in excess of the following amounts: approximately \$44,200 for real estate and approximately \$8,800 for goods and services. Noncompliance with these provisions could result in sanctions against the individual and/or financial institution for money laundering or terrorist financing.

Algeria has an MLAT with the United States but not a bilateral extradition treaty. Algeria is a party to several multilateral law enforcement conventions that also permit mutual legal assistance with the United States.

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

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

Challenges remain in implementation of Algeria's AML regime. Following the ouster of the long-serving president in 2019, an anticorruption campaign was announced, and while some initial actions to investigate financial crime commenced, the sustainability of these efforts and results remain to be seen. Indeed, some restrictions on foreign currency deposits and accompanying CDD measures were loosened.

A self-analysis by the CTRF continues to identify a need to increase the quality of banks' reporting, although CTRF has noted recent improvements. While the CTRF has provided some information on the number of cases it is processing, additional information is needed to evaluate implementation.

Only foreign PEPs are covered under enhanced due diligence requirements.

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

The CTRF actively analyzes STRs, compiles and disseminates money laundering trends and typologies to banks, and engages in quantitative and qualitative self-analysis. A CTRF report for the first half of 2019 indicates the number of STRs filed in 2019 were approximately the same as 2018.

In the first six months of 2019, the Ministry of Justice reported 61 total investigations of money laundering involving a total of 162 legal persons and 414 individuals. During the same period, the ministry reported nine scheduled cases of money laundering involving a total of 17 individuals. The courts reached verdicts in six cases, resulting in a total of 11 counts of guilty and three counts of not guilty.

## **Antigua and Barbuda**

### **OVERVIEW**

Antigua and Barbuda has made some progress on its AML regime. The country finalized a National Risk Assessment (NRA) in 2018, but has yet to implement all the recommendations. As of December 2019, the financial sector includes six domestic banks, nine international banks (offshore banks), 18 insurance companies, eight international insurance companies, four MSBs, one development bank, 37 citizenship by investment agents, and six credit unions. There are eight online gaming and sports betting businesses. As of December 2016, the offshore sector hosted 5,102 IBCs, of which 3,635 were active.

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

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

Antigua and Barbuda has one small FTZ. AML experts identify international banks, MSBs, the insurance sector, real estate, attorneys, accountants, car dealerships, and particularly, car rentals and gaming arcades, which are cash intensive, as the most vulnerable sectors. In December 2019, the government reported three internet gaming companies and four casinos; and the number of active IBCs is less than 1,300.

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

The Citizenship by Investment Unit (CIU) receives citizenship applications through local licensed agents. Authorities are implementing changes to the program after international experts rated the money laundering/terrorist financing risk to the program as medium-high due to a lack of compliance supervision; lack of formal requirements to conduct money laundering/terrorist financing risk assessments; limited audit functions; and a lack of documented policy. Agents must be citizens of Antigua and Barbuda, resident in-country for at least seven years, and hold a place of business in Antigua and Barbuda. The Money Laundering (Prevention) Act 1996 (MLPA) covers agents as financial institutions; therefore, agents are subject to AML obligations. Authorized representatives, based locally and abroad, market the citizenship by investment program and may be the first point of contact for applicants. Authorized representatives do not have the same citizenship and residency requirements as authorized agents.

Applicants for citizenship undergo a vetting process, including due diligence background checks. Citizens of Afghanistan, Iraq, Iran, North Korea, Sudan, Somalia, and Yemen are ineligible unless they emigrated from those countries before the age of 18 or lawfully demonstrate permanent residency for 10 years or longer in the UK, the United States, Canada, the United Arab Emirates, New Zealand, Saudi Arabia, or Australia. Applicants must also demonstrate they no longer maintain economic ties with the restricted country. Applicants can obtain citizenship for themselves, their spouses, dependent children up to 25 years old, and dependent parents aged 58 or older. Fees start at \$125,000 for a family of four, plus due diligence vetting and passport fees. Canada requires visas for Antigua and Barbuda passport holders due to security concerns with some CBI passport holders.

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

The MLPA, the Money Laundering (Prevention) Regulations 2017, and the Money Laundering & Financing of Terrorism Guidelines form the country's legal AML framework. It imposes obligations on financial institutions and DNFBPs to create AML policies and internal controls, implement KYC recordkeeping and STR reporting procedures, and develop staff vetting and training programs. The statutes also outline law enforcement measures to include investigations, seizures, forfeitures, and confiscations. The country has enhanced due diligence for PEPs.

In 2018, an MLPA amendment appointed the Eastern Caribbean Central Bank as the supervisory authority for all financial institutions licensed under the Banking Act.

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

Antigua and Barbuda is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/countries/a-c/antiguaandbarbuda/documents/mutualevaluationofantiguaandbarbuda.html>.

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

AML legislation covers legal persons, but the penalties for noncompliance have not been strong deterrents. Amending the legislation to strengthen the sanctions for noncompliance would strengthen the country's AML regime.

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

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

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

There are specialized units with primary roles for the investigation of money laundering, financial crimes, and specific predicate offenses for money laundering. Communication between intelligence agencies, the FIU, and law enforcement is improving through additional meetings at the coordinating and operational levels.

The country is exercising its powers under the Proceeds of Crime Act. In 2019, there were 10 money laundering-related investigations opened, 11 cases prosecuted, and 16 convictions secured.

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

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

# **Argentina**

## **OVERVIEW**

Argentina faces many of the same challenges confronted throughout the region, including stemming the tide of illicit proceeds from narcotics trafficking and public corruption. Illicit finance threats posed by corruption, including proceeds generated domestically and stemming from Venezuela, remain high. The Tri-Border Area (TBA) shared with Brazil and Paraguay is one of the principal routes into Argentina for multi-billion dollar TBML, counterfeiting, drug trafficking, and other smuggling offenses. In addition, many of the money laundering organizations in the TBA have known or suspected links to the terrorist organization Hizballah.

In recent years, Argentina has taken significant steps to strengthen its AML/CFT regime. In

2019, Argentina issued a Presidential Decree officially designating Hizballah as a terrorist organization. The government also created a National Committee for Combating Money Laundering and Terrorist Financing to coordinate the country's money laundering and terrorist financing policies, including the development of national risk assessments (NRA) and a national strategy to combat those crimes. Despite these positive steps, limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to reduce significantly the flow of illicit proceeds.

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

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but also a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant amounts of revenue.

Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, both state and private, MVTS businesses, exchange houses, real estate, and gaming are particularly susceptible. Despite improvements in recent years, Argentina lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash, particularly with respect to outbound enforcement.

The cash-intensive economy and large informal sector create additional opportunities for criminals to launder illicit proceeds, and authorities have detected numerous TBML schemes. In September 2019, the government implemented capital controls to restrict the purchase of foreign currency, funneling demand into the informal exchange market and an increased use of cash exchanges. In December 2019, the newly inaugurated administration maintained and expanded on these controls, applying a 30 percent "tourist tax" on purchases in foreign currency.

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

In July 2019, the FIU enacted regulations for credit and debit card operators, prepaid cards, and other means of payment to implement a new risk-based approach in line with international standards. Citing an urgency to recover funds stolen through public corruption, President Macri issued a decree in January 2019 establishing a non-conviction based forfeiture framework. Argentina has negotiated tax information exchange agreements with several countries, including the United States, facilitating increased transparency of offshore assets held by Argentine nationals.

Argentina has CDD and STR regulations in place and both foreign and domestic PEPs are subject to enhanced due diligence.

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

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

Despite recent reforms, effective implementation of the AML regime continues to be a significant challenge for the government. New President Alberto Fernández took office in December 2019. Vice President Cristina Kirchner has faced corruption investigations from her prior years as president of the republic between 2007 and 2015. Argentina has completed, but not yet published, its terrorist financing NRA, but has not yet initiated a money laundering NRA.

Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML compliance. Full implementation of the CTR requirement and use of a risk-based approach will likely take years.

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

Under President Macri, Argentina made a strengthened and professional FIU central to its AML/CFT strategy. The FIU plays a significant role in the AML regime based on its unique authority to serve as a party to criminal prosecutions for money laundering and terrorist financing charges.

Argentina and the United States have a MLAT and customs mutual assistance agreement in place. The United States and Argentina participate in the Argentina-United States Dialogue on Illicit Finance, a bilateral initiative to identify shared money laundering and terror financing threats and vulnerabilities and implement counter-strategies. Argentine Customs maintains an active TTU to combat TBML through sharing and analysis of trade data with other countries with TTUs, including the United States.

Argentina has implemented reforms to allow enhanced use of informants, undercover officers, and cooperating witnesses in transnational criminal investigations, though these measures are not yet in widespread use, partly because judicial system actors are inexperienced in their use.

The effectiveness of Argentina's money laundering enforcement regime, as measured by convictions (eight in 2019), asset forfeiture, and regulatory enforcement, is subject to question. Systemic deficiencies in Argentina's criminal justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, corruption within the judiciary, and inexperience among some judges and prosecutors in investigating financial crimes.

## **Armenia**

### **OVERVIEW**

Armenia is gradually strengthening its AML legislation to match international standards and has achieved eight money laundering convictions since the April-May 2018 "Velvet Revolution." This number represents a marked increase over pre-revolutionary convictions.

Proposed changes to Armenia's strict bank secrecy laws and draft legislation to establish a civil asset forfeiture regime should provide the Armenian criminal justice system with new authorities and tools to strengthen money laundering investigations and ramp up convictions further in 2020 and beyond.

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

Armenia is located on a trade route between narcotics source countries and European and Russian markets. Armenia maintains control over law enforcement, prosecution, and judiciary functions. However, Russian border guards staff the land borders with Turkey and Iran, where smuggling is known to occur, and the Russian FSB provides immigration staff at the international airport in Yerevan.

The current government continues to be outspoken about fighting corruption, although narcotics smuggling, the shadow economy, significant inflows of remittances from abroad, the hiding of assets within the real estate sector, and the use of cash remain widespread and constitute vulnerabilities which the government is actively working to address.

Casinos are legal and regulated by the Ministry of Finance.

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

Article 190 of Armenia's criminal code criminalizes money laundering. The Central Bank of Armenia regulates the financial sector, including the banks that account for about 90 percent of all financial system assets. Regulation No. 269-N Regulation on Minimum Requirements in the Field of Preventing Money Laundering and Terrorism Financing requires the financial sector to implement KYC provisions and report suspicious transactions to the Financial Monitoring Center (FMC), Armenia's FIU. Financial institutions need to more strongly adhere to, and integrate into their internal policies, the criteria established for high-risk evaluation for banks defined in No 269-N, Chapter 5, Article 27. Bank secrecy laws, as currently designed, require investigators to indict a suspect before obtaining banking records, hindering some money laundering investigations.

Amendments in 2018 to the AML legislation strengthens Armenia's sanctions regime with regard to proliferation of weapons of mass destruction. The government has also improved its assessment of money laundering risks and application of a risk-based approach, based on an interagency action plan that reassesses major categories of threats and vulnerabilities.

Requirements concerning KYC, STR, and enhanced due diligence for PEPs are stipulated in Armenia's AML/CFT law and the Regulation on Minimum Requirements to Reporting Entities.

Armenia and the United States do not have a MLAT.

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



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

Legal barriers – particularly strict bank secrecy laws that make it extremely difficult for investigators to obtain banking records – have hindered money laundering investigations and convictions. The current government appears devoted to removing these barriers, however, as evidenced by a proposed legislative package to amend Armenia’s bank secrecy laws and a draft civil asset forfeiture law to allow investigators to seize stolen assets absent a criminal conviction.

Armenia has achieved some progress in its requirements for PEPs, regulation and supervision of DNFBPs, and powers of law enforcement and investigative authorities; however, moderate shortcomings remain. Legal persons are not subject to criminal penalties for money laundering.

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

Armenian law enforcement has been increasingly active in trying to build money laundering cases since the 2018 revolution. The FIU received inquiries on a total of 200 criminal cases involving elements of money laundering between mid-2018 and November 2019, FIU representatives report. These cases were mostly initiated with charges for predicate offenses such as high-profile corruption, embezzlement, tax evasion, theft, and fraud. Almost, if not all, of the initiated major criminal investigations involve members of the former ruling regimes and/or were previous members of the Armenian government. Armenian investigators and prosecutors have received some initial training in the writing of mutual legal assistance requests. Proposed changes in bank secrecy laws, if passed, should make an impact on the ability of Armenia to successfully investigate and prosecute money laundering.

Armenian courts have issued eight convictions on cases with elements of money laundering, including four convictions for stand-alone money laundering offenses since mid-2018, according to the FIU. The rest of the convictions involved illegal entrepreneurial activities, bribery, tax evasion, and abuse of official authorities.

Armenia should provide criminal penalties for legal persons involved in money laundering or terrorist financing, criminalize tipping off of individuals under investigation, ensure all reporting sectors provide mandated financial intelligence reports, criminalize noncompliance or misrepresentation, and create vetting mechanisms to prevent corrupt criminal actors from serving as, owning, or managing DNFBPs. Armenian authorities should also review informal transfer systems from the large Armenian migrant worker population in Russia that may pose money laundering vulnerabilities.

## **Aruba**

### **OVERVIEW**

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

Aruba is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions with the approval of the local parliament. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Aruba.

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

Bulk cash and gold 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 and gold trafficked by criminal organizations and occurs through gold transfers, real estate purchases, and international tax shelters. Real estate firms and tax trust companies are subject to KYC provisions and FIU reporting obligations. There is no significant black market for smuggled goods.

Sanctions against Aruba's traditional trading partner, Venezuela, and a closed border with Venezuela, are negatively affecting Aruba's refinery, free zone, and tourism industry. Some Venezuelans who are investing in real estate on Aruba are suspected of using black money. Aruban law enforcement agencies started an investigation into illegal underground banking, money laundering, and cash transfers by businesses owned by ethnic Chinese.

The Free Zone Aruba NV has an integrity system in place to deter illegal activities, including smuggling and money laundering, and reviews and controls all companies with free zone status in the FTZs. Financial services, banks, and insurance companies are not permitted to operate in the free zones. There are 14 casinos, and online gaming is allowed, subject to KYC provisions and FIU reporting requirements.

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

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

The Kingdom may extend international conventions to the autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become law. The Kingdom extended to Aruba the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. With the Kingdom's agreement, each entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual entities may conclude MOUs in areas in which they have autonomy, if these MOUs do not infringe on the foreign policy of the Kingdom. The 2004 U.S.-Netherlands MLAT, incorporating specific U.S.-EU provisions, was not extended to Aruba. The 1983 MLAT between the Kingdom and the United States applies to Aruba and is regularly used by

U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. Aruba has adopted the Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure, and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets, which was signed by the Kingdom in 1994.

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

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

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

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

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

The State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) includes CDD rules and provisions for the reporting of unusual transactions. Non-regulated financial service providers (including investment brokers and factoring and leasing companies) and DNFBPs must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba.

In the reporting period, there were numerous investigations and prosecutions for money laundering, including the sentencing of a former politician. The EU added Aruba to the bloc's blacklist of tax havens, but later removed the jurisdiction after Aruba adapted legislation to meet EU standards in May 2019. In November 2018, Aruba and the Netherlands reached an agreement on the continuation of financial supervision by the Aruba College of Financial Supervision (CAFT) for a period of at least three years. Aruba unilaterally annulled the agreement for fear the CAFT will have a negative impact on Aruba's fragile economy and budget. This is a possible concern because the CAFT is also a money laundering watchdog.

## **Azerbaijan**

### **OVERVIEW**

Weak regulatory oversight and political involvement in Azerbaijan's banking sector, coupled with Azerbaijan's physical location between Iran and Russia, create an environment conducive to the transit of illicit funds. The majority of foreign investment and international trade in Azerbaijan continues to be in the energy sector. Azerbaijan's government is working to diversify the economy away from energy by prioritizing investments in agriculture, tourism,

trade logistics, and telecommunications and information technology.

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

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

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

An independent FIU, the Financial Monitoring Service (FMS), was established on May 25, 2018. Its creation was aimed at improving the licensing, regulation, and supervision of the financial sector. Previously, FMS had been part of the Financial Markets Supervisory Authority, but was moved in May 2019 to the Taxes Ministry. The FMS is required by law to comply with international AML/CFT standards and Azerbaijan's international treaty obligations.

The key Azerbaijani AML law is the 2009 law "On the Prevention of Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism" (AML/CFT Law). Subsequent legislation in 2009 and 2010 amended the law, brought existing legislation into compliance with it, and amended the Criminal Code. Amendments to the AML/CFT Law in 2018 identify the FMS as a supervisor for pawnshops and persons providing intermediary services buying and selling real estate. According to a February 4, 2019 presidential decree, FMS monitors banking transactions for compliance with the law "On Combating the Legalization of Criminally Obtained Funds or Other Property and Financing of Terrorism."

The FMS and the FIUs of Moldova, Belarus, Turkey, Macedonia, Russia, and Iran have signed AML/CFT information-sharing agreements.

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

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

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

The AML law excludes dealers of arts, antiques, and other high-value consumer goods; entities dealing with jewelry and precious metals; travel agencies; and auto dealers from the list of

covered entities. These entities are not required to maintain customer information or report suspicious activity.

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

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

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

## **Bahamas**

### **OVERVIEW**

The Bahamas remains a transit point for trafficking in illegal drugs, firearms, and persons to and from the United States. As an international financial center, the country is vulnerable to money laundering in various sectors, such as financial services, real estate, casino gambling, and online gaming. Although The Bahamas has taken significant steps toward strengthening its AML regime, potential vulnerabilities in the online gaming and money transfer business sectors are further exacerbated by certain regulators’ reluctance to acknowledge them.

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

The Bahamas earns approximately 20 percent of GDP through financial services. The international bank and trust sector, the largest segment of the industry, has close to \$400 billion in assets under administration. International and domestic banks and trust companies face high exposure to money laundering risks as they conduct a high volume of transactions, handle significant wealth, utilize wire transfers, and provide banking services through channels that vary in anonymity and complexity. Money transmission businesses are also highly vulnerable to money laundering activity due to the substantial number of small transactions, high numbers of one-off and non-resident customers, usage by undocumented migrants, and the rapid cross-border transfer of funds. As of November 2019, there were approximately 60 licensed fund administrators, 7555 licensed funds, 351 licensed financial corporate service providers, and 27,072 IBCs.

The Bahamas faces global money laundering challenges related to casino gambling and the online gaming sector, including “web shops,” which are restricted to citizens and residents of The Bahamas. As reported by the central bank, The Bahamas generated \$1.3 billion in casino

gaming gross revenues (January – August 2019) and \$3.2 billion in online gaming sector sales (January – September 2019), in a country with an overall GDP of \$12 billion. In 2018, cash transactions in the online gaming sector accounted for 93 percent of all transactions. Of the STRs filed in 2019, only 10 percent originated from casinos and none originated from the online gaming industry, whose total sales in circulation amounted to a figure equivalent to 27 percent of GDP.

Regulators increased engagement with industry stakeholders through issuing revised AML/CFT guidelines, hosting the second annual AML/CFT conference, and publishing a comprehensive report addressing all financial sectors. Regulators introduced administrative fines with proportionate penalties for noncompliance with legal and supervisory requirements.

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

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

In 2019, The Bahamas implemented the Register of Beneficial Ownership Act (RBOA) to ensure access to accurate and current beneficial ownership information and established an electronic registry to improve information-sharing among the Attorney General's Office (AGO), the FIU, and the Royal Bahamas Police Force (RBPF) Financial Crimes Unit (FCU). The AGO also developed a new, technology-based case management system for processing international requests for assistance, as well as electronic analytical tools for processing STRs. This has allowed the International Cooperation Unit of the AGO to collate statistics more efficiently and respond more effectively to international partners.

The 2019 Securities Industry (Anti-Money Laundering and Countering of Terrorism) Rules, and the 2019 Financial Corporate Services Providers (Anti-Money Laundering and Countering of Terrorism) rules incorporate new and enhanced AML/CFT CDD provisions for licensees and registrants supervised by the Securities Commission of The Bahamas. In addition, the 2019 Non-Profit Organizations Act amendment provides for regulation and supervision of NPOs in line with international standards. Finally, the 2019 Investment Funds Management Act aligns Bahamian law with international standards and best practices regarding the securities sector, expands the scope of powers of the Securities Commission, and provides measures to protect investors.

The Bahamas exchanges records in connection with narcotics investigations or proceedings pursuant to a bilateral treaty on mutual assistance. The Bahamas is a member of the OECD's Global Forum and has implemented the common reporting standard.

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

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

International experts have stated The Bahamas should continue to work on demonstrating that authorities are investigating and prosecuting all types of money laundering, including cases involving virtual currencies, stand-alone money laundering, and cases involving proceeds of foreign offenses such as tax crimes. In 2019, the number of money laundering prosecutions and convictions dropped by at least 67 percent despite significant legal and regulatory progress to date.

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

Political will to pass legislation related to strengthening the AML/CFT regime is strong, and The Bahamas has implemented a strategic action plan to correct noted deficiencies. However, effective implementation may pose challenges. The number of filed STRs continues to be low when compared to the size and scope of the financial sector. As of October 30, 2019, the FIU received 454 STRs for a sector encompassing \$400 billion in assets, up from 332 in 2018, and slightly higher than 446 in 2017.

The Identified Risk Framework Steering Committee met weekly in 2019, while the Group of Financial Services Regulators met quarterly.

## **Barbados**

### **OVERVIEW**

Barbados made some progress on its AML system. Barbados has completed an initial risk assessment, which identifies drug trafficking as the main source of money laundering in the country. Barbados continues its work on a more comprehensive national risk assessment (NRA) amid concerns the previous NRA may not have been sufficient in identifying significant national money laundering risks and vulnerabilities. Barbados has an active international financial services sector. It does not have FTZs or an economic citizenship program.

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

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

The Central Bank of Barbados licenses commercial banks and holding companies, trusts, and merchant banks. As of October 2019, there are 23 international banks and 10 trust, finance, and merchant banks. As of December 31, 2015 (the most recent available data), total assets reported by international banks were approximately \$41 billion (\$82 billion Barbadian).

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

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

In August 2019, Barbados enacted the Proceeds and Instrumentalities of Crime Act 2019-17, which authorizes civil prosecution of money laundering offenders as well as additional investigative tools, such as orders requiring respondents to justify unexplained wealth, disclose customer information, and disclose information or documents relevant to a criminal or civil asset recovery or money laundering investigation.

In May 2019, Barbados updated its primary legislation, published as the Money Laundering and Financing of Terrorism (Prevention and Control) (Amendment) Act, 2019-22 (MLFTA). It includes KYC and STR regulations and covers the international financial services sector.

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

Barbados is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/barbados-1/9145-barbados-4th-round-mer/file>.

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

The POCA does not include an explicit provision for cash seizures, so Barbados has used its Exchange Control Act for forfeitures. Barbados recognizes this practice is insufficient and is drafting new legislation to address this issue.

A new NRA that could identify additional national money laundering/terrorist financing threats and vulnerabilities is still being drafted. The NRA should include an adequate analysis of terrorist financing risk, transparency of legal persons and arrangements, and the risks associated with trust and corporate service providers and cross-border cash movements.

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

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

There are no casinos in Barbados; however, there are other gaming institutions that are not regulated or supervised for AML/CFT compliance.

The FSC is responsible for the licensing, regulation, and supervision of credit unions and non-



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

Barbados has signed, but not ratified, the UNCAC.

## Belgium

### OVERVIEW

Belgium's location and considerable port facilities drive the Belgian economy. Belgium's Port of Antwerp (the Port) is the second busiest port in Europe by gross tonnage and, together with the ports of Rotterdam and Hamburg, handles the bulk of European maritime trade. With this large volume of legitimate trade inevitably comes the trade in illicit goods. Antwerp is the primary entry point of cocaine into Europe from South American ports.

Belgium is both a destination and a transit country for drugs and is involved in production. According to the Financial Information Processing Unit (CTIF), Belgium's FIU, Belgian police services are increasingly investigating drug money laundering activity. Most of the laundered funds are derived from foreign criminal activity and are heavily associated with the recent explosion in cocaine trafficking at the Port. While some drug proceeds are transported in bulk to cocaine source countries, some stay in Belgium as payment to the many criminal logistical organizations that move cocaine from containerized cargo at the Port.

Belgium's FIU remains vigilant to increasingly sophisticated money laundering methods, promoting rigorous analysis and increased cooperation with judicial authorities. CTIF introduced new analytical mechanisms in 2018 to improve the flow of information, foster cooperation with the federal prosecutor, and enhance partnerships and analysis of STRs.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Trade in illicit goods through the Port fuels a shadow economy and facilitates the movement of laundered drug proceeds from Belgium back to South America or intermediary points such as Dubai or Hong Kong.

Some high profile, Belgian-based criminal organizations that distribute cocaine within the region utilize the Belgian banking system, along with a complex network of shell companies, to integrate the illicit funds into Belgian bank accounts. Legitimate businesses, such as real estate, the construction sector, restaurants, diamonds, and retail businesses are also used to launder drug proceeds.

Belgium is emerging as a primary European repository for bulk cash. Multiple crime groups collect bulk cash in Belgium and move it globally via a variety of means, most of which focus on the Antwerp diamond quarter. Belgium is a world leader in the diamond trade. The opaque and closed nature of the Antwerp diamond industry complicates money laundering investigations and provides a cover to launder illicit funds through pre-existing, pseudo-legitimate networks. Using hawala-like networks, transnational criminal organizations can quickly process bulk cash and make payouts within 24 hours. Difficulties in monitoring movements in the Port and limited investigations into passengers repeatedly declaring more than approximately \$10,925 (€10,000) at the main airport of Zaventem facilitate the movement of cash.

Virtual currencies are increasingly used by criminal networks to facilitate illegal activity. Investigations involving virtual currency are becoming more common among Belgian police authorities. Belgium does not currently regulate platforms for exchanging virtual currencies and custodian wallet providers because of the lack of a legal depository. No obligation to file STRs on virtual currency transactions exists.

Gaming is legal in Belgium and highly regulated, with the total number of licensed casinos limited to nine. Steady growth in internet gaming continues, but the extent of the activity is currently unknown. According to the FIU, online gaming is legal, but only if the business operates in a physical establishment in addition to its online presence. According to CTIF, the number of “operators of games of chance” increased from 995 in 2017 to 1,103 in 2018.

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

Belgium has comprehensive KYC rules and STR requirements. Belgium published legislation to implement the EU Fourth AML directive, which addresses enhanced due diligence for domestic PEPs, in 2017. Belgium has approved measures to modify its legislation to comply with the Fifth Directive by the EU’s January 2020 deadline.

Belgium is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Belgium-2015.pdf> .

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

There are few reported instances of bulk cash transported out of the Port via cargo container; however, the Port’s large size and difficulty in effectively analyzing the contents of 11 million container-equivalent units moving through the Port annually may help facilitate the movement of illicit funds and the transfer of illicit value. Tighter control over the ability of port workers to access and transport merchandise could discourage the transport of bulk cash and access to illicit shipments.

Considering its size and vulnerability to money laundering activity, increased supervision of the diamond industry, including efforts to promote STR filings by diamond dealers, is encouraged. Authorities should also prioritize the detection of illegal diamond trafficking and large-scale tax fraud involving diamond dealers. More specific oversight of the actual individuals operating

within the diamond industry is needed to gain intelligence to determine those individuals and businesses involved in moving illicit funds via hawala networks and TBML.

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

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

The number of STRs from diamond dealers remains low: in 2018, CTIF received only 18 STRs (up from 11 in 2017, but down from 35 in 2016).

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

## **Belize**

### **OVERVIEW**

Belize has made significant efforts to improve its AML/CFT regime. Through a series of legislative reforms and a proactive approach to addressing risk, Belize made the strides necessary to improve its financial regulatory capacity and be removed from the EU tax haven “blacklist.” Belize is still primarily a cash economy, and its location, porous borders, poverty, and limited material and personnel resources leave it vulnerable to illicit trafficking, illegal migration, transnational criminal organizations, and corruption. Belize has an active offshore financial sector but is not a key regional financial player. The government is taking steps to close these vulnerabilities.

Belize continues to build its FIU’s capacity. The FIU gave an education seminar for DNFBPs on AML/CFT legislation.

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

Belize’s sources of money laundering are primarily drug trafficking, tax evasion, and securities fraud. Belize remains primarily a cash economy, including in its two operational free zones. The FTZs are managed entirely by the private sector, deal in cash, and are an entry and dissemination point for contraband. The government is redrafting the Free Zones Act, which will require companies to submit more information on their activities.

As of December 2019, the IBC registry has 35,730 registered, active IBCs; 1,967 trusts are registered at the International Trust Registry; and 111 foundations are active. The four international banks operating in Belize are regulated by the Central Bank of Belize. The International Financial Services Commission supervises offshore entities.

There are 1,052 registered DNFBPs; in 2019, the FIU completed 66 examinations to ensure AML/CFT compliance – the most ever done in one year. Deficiencies identified during the examinations include the need for more guidance on developing internal compliance policies and procedures. The FIU and other public sector stakeholders began addressing this issue through targeted training sessions for DNFBPs.

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

International cybercriminal activities continue to plague Belize. The slow development of both a national cybersecurity policy and technical expertise constrains response in this area.

Fraud remained the most prevalent suspicious activity shown on filed STRs in 2019.

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

Within a month of Belize being included on the EU list of “non-cooperative jurisdictions for tax purposes” in March 2019, the government passed the International Financial Services Commission (Amendment) (No. 1) Act, 2019; the International Financial Services Commission (Amendment) (No. 2) Act, 2019; the Economic Substance Act, 2019; and the Stamp Duties (Amendment) Act, 2019. IBCs can now be owned by Belize residents and are now allowed to do business with Belize residents, own land in Belize, and hold shares in Belize domestic companies. IBCs also now fall within Belize’s tax regime, are required to file annual tax returns, and are subject to the Business and Income Tax Act. The legislation puts a framework in place for a physical presence requirement for IBC operation. All of this legislation was put in place specifically to strengthen Belize’s AML/CFT regulatory framework and ensure Belize businesses adhere to international best practices. The EU recognized that effort and removed Belize from its “blacklist” in November 2019.

Belize has comprehensive CDD and STR requirements. The AML/CFT Code of Practice covers legal persons and provides for enhanced due diligence for PEPs.

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

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

Belize has a rigorous AML legal, policy, and regulatory framework. Belize does not have a non-conviction-based forfeiture regime for forms of property other than cash. In 2019, an international donor funded a project that facilitated two meetings to discuss civil asset recovery legislation in Belize. At the first meeting, Belize analyzed the provisions of various civil asset recovery laws to determine what may be appropriate for the national context. The second meeting focused on examining further issues and discussing avenues for implementing non-conviction-based legislation in Belize.

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**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

Belize has shown strong political will to combat money laundering and has made progress on the AML/CFT front. However, effective implementation of the improved legal framework is inhibited by personnel shortages. Since October 2019, Belize has opened 16 new investigations, three of which resulted in a no-case submission and one person charged for obtaining property by deception.

Belize concluded its national risk assessment (NRA), and the cabinet is expected to review the results in January 2020. Though the results have not been made public, Belize is preparing a national plan of action to address risks identified by the NRA, and the National Anti-Money Laundering Committee is prioritizing the establishment of a national AML/CFT strategy in 2020. In 2019, the FIU recruited a strategic consultant and a research assistant to assist with the review and proper implementation of its three-year strategic plan as well as the completion of the NRA and the national action plan.

## **Benin**

### **OVERVIEW**

Benin's main east-west road forms part of the high-volume Abidjan-Lagos transportation corridor, and the Port of Cotonou is a shipping hub for the sub-region, serving Nigeria and land-locked countries in the Sahel. Criminal networks exploit the volume of goods and people moving through Benin.

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

Benin has a specialized trial court, the Economic Crimes and Terrorism Court (CRIET), for economic and financial crime. The majority of financial crime cases before the CRIET in 2019 were related to financial scams, including organized crime- and cyber-based.

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

Open borders, the prevalence of cash transactions, and the informal economy facilitate money laundering in Benin. Benin's geographical location makes it a transit country for regional and international maritime and land trade, thus exposing it to various forms of proceeds-generating offenses, including cybercrime, corruption, smuggling, and drug trafficking.

Benin is vulnerable to drug-related money laundering. Cases linked to Benin include the proceeds of narcotics trafficking comingled with revenue from the sale of imported used cars for customers in neighboring countries. In the past, Benin was implicated in large international

schemes in which Lebanese financial institutions were used to launder and move criminal proceeds through West Africa and back into Lebanon. Hizballah, which the U.S. Department of State has designated as a Foreign Terrorist Organization, received direct financial support from this network.

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

A West Africa Economic and Monetary Union (UEMOA)-drafted uniform law, passed in June 2018, helps standardize AML/CFT legislation among member countries and facilitate information sharing. In Benin, the uniform law (Act 2018-17) replaces 1997 and 2016 laws criminalizing money laundering and the 2012 financing of terrorism law by combining their provisions into a single law. The uniform law also addresses deficiencies in earlier legislation by introducing new investigative authorities; requiring attorneys, notaries, banks, and certain NGOs and religious organizations to report large cash transactions; and the designation of additional money laundering predicate offenses. However, the uniform law contains deficiencies with respect to international AML/CFT standards that persist across UEMOA countries, notably on suspicious activity reporting and customer due diligence.

Benin's president and Ministers of Finance, Interior, and Justice signed ministerial decree number 46 in January 2019 specifying the powers, organization, and function of the Advisory Committee on the Freezing of Assets.

December 2019 modifications to Benin's national constitution include establishment of a Supreme Audit Institution (SAI) to conduct financial audits on the use of public funds.

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

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

Act 2018-13, passed on May 18, 2018 to create the CRIET, a specialized court with a broad mandate covering drug, terrorism, and financial crimes, does not enumerate the particular offenses under the court's jurisdiction. CRIET's jurisdiction is broadly defined, which may result in a lack of clarity in the appropriate trial court for certain crimes or a case backlog in the future if investigative capacity increases.

Benin's measures to identify legal owners do not comply with international standards for the identification of beneficial ownership and accurate and up-to-date recordkeeping.

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

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

The West African Central Bank, which regulates the common West African CFA franc currency, sets a requirement for declaration of bulk cash crossing the border to Nigeria (a non-UEMOA

member country) at approximately \$8,750 (CFA franc 5,000,000) or more. Benin customs authorities lack training to evaluate cross-border currency declarations for money laundering purposes.

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

On the judicial side, investigating judges lack specialized training in complex financial schemes and cases sit unattended. Benin has had no successful money laundering prosecutions to date.

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

## **Bolivia**

### **OVERVIEW**

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

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

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

The latest White House Office of National Drug Control Policy report found Bolivia had the potential to produce 254 metric tons of cocaine in 2018, a significant source of illicit profits. Informal gold mining also has grown in recent years. Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets and money laundering activity is likely.

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

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

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**KEY AML LAWS AND REGULATIONS**

Bolivia passed several laws to control the entry and exit of foreign exchange and criminalize illicit gains. The National Council to Combat Illicit Laundering of Profits issues guidelines and policies to combat money laundering. Regulatory procedures allow for freezing and confiscation of funds and other assets related to money laundering.

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

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

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

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

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

Lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework, limit the UIF's reach and effectiveness. Compliance with UIF's reporting requirements is extremely low. Information exchange between the UIF and police investigative entities has improved in the last few years, and the UIF maintains a database of suspect persons that financial entities must check before conducting business with clients.

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

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



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

The Bolivian justice system is hindered by corruption and political interference, both of which impede the fight against narcotics-related money laundering. The lack of well-trained prosecutors and police officers has also been a problem, leading to ineffective criminal investigations. In 2017, the Attorney General created a special unit dedicated to investigating and prosecuting money laundering.

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

Bolivia has an extradition treaty with the United States. In some instances, the Bolivian government has been cooperative with U.S. law enforcement. Overall there has been little law enforcement cooperation between Bolivia and the United States in recent years, though on November 12, 2019, after the resignation of the previous president and his cabinet, a new, transitional government took office until the elections in early 2020. This may lead to new potential areas of collaboration with the new governments.

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

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

## **Bosnia and Herzegovina**

### **OVERVIEW**

Bosnia and Herzegovina (BiH) has a primarily cash-based economy and is not an international or regional financial center. A Visa Liberalization Agreement with the EU enables easy transit from Eastern Europe and the Balkans region to countries in Western Europe. BiH is a market and transit point for smuggled commodities, including cigarettes, firearms, counterfeit goods, lumber, and fuel oil and, during the last year, the country faced significant problems with illegal migration.

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

However, the BiH justice sector still performs relatively poorly in the areas of money laundering and forfeiture. Specifically, prosecutor's offices and law enforcement oftentimes lack expertise to conduct large-scale financial investigations. Furthermore, judges often have a hard time

comprehending expert testimony, which leads to poor verdicts. International donors conduct ongoing capacity building activities that aim to improve the level of effectiveness of judges and prosecutors.

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

The majority of STRs are connected to tax evasion and corruption. A smaller amount involve suspected proceeds linked to human trafficking and smuggling, narcotics trafficking, and organized crime. Individuals frequently withdraw funds under the guise of legitimate business, but the purpose of the transactions is often found to be fabricated. Banks make up 84 percent of the financial sector, and STRs from banks show fraud and identity theft are increasing, as are identity card counterfeiting and credit card fraud. Money laundering through real estate development is a problem.

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

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

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

BiH's Law on Mutual Assistance in Criminal Matters provides for asset sharing. It is unknown whether this provision has ever been used.

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

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

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

The four criminal codes now contain similar money laundering offenses. The criminal codes of

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

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

While BiH's political structure and ethnic politics hinder the effectiveness of its AML regime, coordination of law enforcement AML efforts among the multiple jurisdictions in BiH is improving. BiH completed its National Risk Assessment of Money Laundering and Terrorist Financing in the Period 2018-2022 in September 2018, which identifies notaries and real estate agencies as the highest-risk sectors.

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

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

In the period from January 1, 2019-October 31, 2019, according to information from the High Judicial and Prosecutorial Council of BiH, the courts handed down five convictions related to money laundering.

## **Brazil**

### **OVERVIEW**

Brazil's economy remains the second largest in the Western Hemisphere in 2019 and among the ten largest in the world. Brazil is a major drug transit country and one of the world's largest drug consumers. Transnational criminal organizations operate throughout Brazil and launder proceeds from trafficking operations and human smuggling. A multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) where Brazil shares borders with Paraguay and Argentina. Illicit networks in the TBA provide financial support to Hizballah, a U.S. Department of State-designated Foreign Terrorist Organization and a U.S. Department of the Treasury Specially Designated Global Terrorist. Public corruption is law enforcement's primary money laundering priority, followed by narcotics trafficking.

In February, Brazil's Congress passed legislation to remedy CFT deficiencies related to the implementation of targeted sanctions for terrorist financiers designated by the UN Security Council.

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**VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

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

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

Brazilian law enforcement information and other reporting suggest the nation's largest criminal organization, Primeiro Comando da Capital, a sophisticated transnational criminal organization with ties to several countries in the Western Hemisphere and Europe, is making a push into money laundering and other less visible criminal enterprises and corrupting public officials and police.

Since 2014, "Operation Car Wash" has uncovered a complex web of corruption, bribery, money laundering, illegal campaign contributions, and tax evasion spanning the Americas, leading to arrests and convictions of the former president, former ministers, members of Congress, political party operatives, employees at parastatals, and executives at major private construction firms throughout the region. According to the Ministry of Justice, more than \$100 million of illicit funds have been blocked overseas; Brazil has recovered \$20 million thus far.

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

**KEY AML LAWS AND REGULATIONS**

Brazil's money laundering legal framework was last updated in 2012. The framework facilitates the discovery, freezing, and forfeiture of illicit assets. Brazil has comprehensive KYC and STR regulations. Brazil maintains some control of capital flows and requires disclosure of corporate ownership.

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

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

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

Legal entities cannot be criminally charged under Brazil's money laundering statute. Legal entities in violation of the reporting requirements can face fines and suspension of operation, and managers can face criminal sanctions.

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

From January through September 2019, the Council for Financial Activities Control (COAF), Brazil's FIU, referred 5,273 financial intelligence reports to law enforcement and initiated 12 money laundering administrative actions. On July 17, 2019, a Supreme Court justice issued a temporary injunction that prevented COAF and the Federal Revenue Service (RF) from passing financial intelligence information to law enforcement authorities without a prior judicial order. While in force, the injunction effectively halted COAF's ability to share financial intelligence with law enforcement and froze existing law enforcement money laundering investigations. On December 4, the full Supreme Court fully overturned the injunction. In December 2019, Congress approved legislation proposed by the executive branch to move COAF from under the Ministry of Economy (previously Ministry of Finance) to the Brazilian Central Bank. The legislation changes COAF's mandate by removing terrorist financing; it is unclear how this will alter COAF's core functions and responsibilities. Comprehensive data on criminal investigations and convictions are not yet available.

Brazilian law enforcement has successfully seized millions in multiple currencies in highway seizures, especially on the border with Paraguay.

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

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

## **British Virgin Islands**

### **OVERVIEW**

The British Virgin Islands (BVI) is a UK overseas territory. Its economy is dependent on tourism and financial services. The BVI is a well-established, sophisticated financial center

offering accounting, banking and legal services, captive insurance, company incorporations, mutual funds administration, trust formation, and shipping registration. At the close of June 2019, the commercial banking sector had assets valued at approximately \$2.44 billion. BVI has committed to complying with OECD and EU rules on financial transparency and regulation. It has adopted the new global standard for the automatic exchange between jurisdictions of taxpayer financial account information. Potential misuse of BVI corporate vehicles remains a concern, but the government has put in place frameworks to guard against such abuse. Criminal proceeds laundered in the BVI derive primarily from domestic criminal activity and narcotics trafficking.

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

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

Financial services account for over half of government revenues. The Financial Services Commission's (FSC) June 2019 statistical bulletin notes there are 396,932 companies. Of these, 1,114 are private trust companies. There are six commercially licensed banks and 1,489 registered mutual funds.

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

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

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

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

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

licensees should follow to ensure proper verification of clients.

In 2018, the government was considering amendments to legislation to enable the Financial Investigation Agency to take enforcement actions against DNFBPs that are noncompliant with their AML legal responsibilities. The status of this proposal is unknown.

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

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

International experts have criticized the BVI's AML supervision, particularly of the company formation sector, and its sanctions regime, though recent improvements have earned positive marks. In 2018, the BVI Enforcement Committee reviewed 108 enforcement cases of suspected breaches of financial services legislation and issued a total of 89 warning letters.

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

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

Between January 2012 and 2017, there were five money laundering-related prosecutions and four money laundering-related convictions. In 2018, there were six money laundering-related prosecutions and six money laundering-related convictions. In 2019, 10 money laundering-related prosecutions were filed and most are still ongoing. This low volume of prosecutions and convictions reflects the fact criminal proceeds laundered in BVI derive largely from domestic criminal activity associated with drugs and customs violations (as opposed to corporate activity for which BVI would use cooperation and information gateways to assist with prosecutions taking place elsewhere).

The BVI has implemented a register which provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. Information provided by the BVI in 2018 supported the National Crime Agency's first Unexplained Wealth Order, which froze approximately \$32.5 million (£25 million). Beneficial ownership information must be shared with UK law enforcement and other agencies within 24 hours of a request (or one hour in urgent cases). The UK Sanctions and Anti-Money Laundering Act 2018 requires the BVI to establish a publicly accessible register of the beneficial ownership of companies registered in its jurisdiction.

Updates to the territory's Anti-Money Laundering Regulations and Anti-Money Laundering and Terrorist Financing Code of Practice can be expected within the next year in order to complete reforms necessary to ensure compliance with international standards that are yet to be fully factored into the Territory's AML/CFT regime.

## Burma

### OVERVIEW

Burma's economy and financial sector are underdeveloped, and most currency is still held outside of the formal banking system. Burma has porous borders and significant natural resources, many of which are in parts of the country that the government does not fully control.

In 2019 the Burmese government made progress regarding its AML/CFT regulatory oversight. The government issued two regulations to improve its AML regulatory framework and passed new legislation to regulate casinos. In addition, the government of Burma demonstrated renewed political will to address money laundering issues, including the establishment of a new AML task force.

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

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Burma continues to be a major source country for methamphetamines and opiates. The government's continued inability to exercise sovereign control in its border regions presents money laundering vulnerabilities due to the proliferation of casinos, remittance networks, and drug trafficking in those areas.

Many business deals and real estate transactions are conducted in cash. Access to formal, regulated financial services has increased in recent years; however, Burma is still a largely cash-based economy, making it difficult for authorities to detect illicit financial flows.

Casinos target foreigners in border towns, especially near China and Thailand. Little information is available about the scale of these enterprises. The government enacted a new gaming law in May 2019 that removes the ban on domestic casinos and requires them to register as companies. The new law will be hard to enforce in border areas outside government control.

### KEY AML LAWS AND REGULATIONS

Burma's Office of the President issued the "Anti-Money Laundering Order" on November 14, 2019 to enhance CDD requirements and reaffirm several legal terms defined by the 2014 Anti-Money Laundering Act. The presidential order applies to each of the regulatory agencies: the Central Bank of Myanmar (CBM), the Securities Exchange Commission, and the Financial Regulatory Division, as microfinance and insurance companies regulator. Per the order, all three entities must conduct enhanced CDD measures, such as identifying and verifying customers' identities and determining beneficial ownership using independent and



reliable sources. The Presidential Order also states CDD measures must be taken on all PEPs, including international PEPs, as defined by legislation.

On November 15, 2019, the CBM issued regulations on remittance businesses, with the aim of integrating illegal remittance networks, or hundis, into a governed system. The regulation stipulates both domestic and foreign remittance companies must: be licensed; place a security deposit of approximately \$65,000 (100 million kyat) at an authorized bank; and adhere to several requirements, including having proof of financial sources, completion of AML compliance training, submission of remittance plans and background records of agents, registration with the CBM, and naming an AML compliance officer. Remittance companies are required to screen all customers through current UN sanctions designation lists and report suspicious findings to the FIU and the CBM. The new regulations also limit remittance amounts to \$1,000 per transaction, with monthly totals capped at \$5,000 per person.

In June 2019, Burma's Office of Home Affairs formally launched the country's National Strategy on Anti-Money Laundering and Countering the Financing of Terrorism. The National Strategy is aimed at addressing identified AML/CFT deficiencies and will be implemented by the FIU, the CBM, and the banking sector.

Burma does not have a bilateral MLAT with the United States. In 2016, the Burmese attorney general (AG) identified the AG deputy director general as the primary contact for mutual legal assistance requests, although this channel remains untested between the United States and Burma.

Burma is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/documents/documents/mutualevaluationofMyanmar.html>.

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

International AML experts note several deficiencies in Myanmar's AML/CFT enforcement: limited understanding of AML/CFT obligations among financial institutions and DNFBPs, including casinos; poor reporting in STRs; and weak CBM oversight of DNFBPs and illegal money transfer or hundi services. The regulations issued in 2019 are intended to remedy some of the identified deficiencies.

The banking system suffered from an absence of effective prudential regulation by the CBM during the former military regime. A government split between civilian and military-controlled ministries impedes effective government-wide coordination on AML.

Money laundering investigations are not prioritized, do not occur in parallel with investigation of predicate offenses, and are not in keeping with the risk profile of the country.

Burma has an FIU, which is part of the Ministry of Home Affairs. However, the FIU is not

a member of the Egmont Group.

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

The government of Burma has increased enforcement and implementation of AML measures; however, its technical capacity to do so effectively remains limited. The government established a high-level Anti-Money Laundering Task Force. It also began a money laundering risk assessment of banks. To improve enforcement and implementation, the government has also increased international cooperation on AML, including with the United States and via multilateral groups.

## **Cabo Verde**

### **OVERVIEW**

Cabo Verde's mid-Atlantic location and its land-to-water ratio make it vulnerable to narcotics trafficking between West Africa, the Americas, and Europe. Its financial system is primarily composed of the banking sector.

Although Cabo Verde's AML regime has flaws, the government has revised its laws, policies, and regulations to create the tools to curb illicit financial activities. The AML framework, established in 2009, led to improved shipping container monitoring and information sharing. Cabo Verde receives international support to fight drug trafficking, money laundering, and other crimes.

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

Approximately 30 percent of Cabo Verde's economy is in the informal sector, creating a lack of transparency and contributing to financial vulnerabilities. The biggest money laundering risk is likely related to narcotics trafficking, largely due to its location and to its limited capacity to patrol its large maritime territory. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels, including private yachts. Although data is limited, domestic consumption of consumer drugs – marijuana, cocaine, crack, and synthetic drugs – appears to be increasing.

Understaffing at the FIU remains a significant issue. Only one full-time and one part-time analyst work at the FIU, limiting its capacity to track STR. The Ministry of Justice and Labor (MJT), where the FIU is housed, approved two new positions for the FIU but did not fill them in 2019.

Counterfeiting and intellectual property theft remain prominent issues and, although local laws allow authorities to act on claims of counterfeiting, prosecutors seldom pursue criminal charges. Organized criminal factions have moved into trademark counterfeiting and copyright piracy due to the high profits, low risk, and inadequate penalties. Public corruption is limited in Cabo Verde and is unlikely to facilitate money laundering. Although the formal financial sector enjoys a strong reputation, it may still offer niches to criminals.

The MJT created a national commission that will leverage existing legal structures to transform the present Financial Crimes Working Group into an operational inter-ministerial commission.

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

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

Cabo Verde has somewhat operationalized its AML/CFT framework for national cooperation and coordination. In 2018, the MJT recruited eight public prosecutors, and the BCV recruited six agents for its supervision department. The General Inspectorate of Economic Affairs serves as the supervisory body for dealers in luxury items and gaming.

On July 23, 2019, Cabo Verde passed a corporate shareholding law that prohibits corporate ownership structures using bearer shares.

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

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

Limited information is available about the degree to which the BCV conducts AML compliance examinations of financial institutions in its jurisdiction, including whether the BCV has applied administrative sanctions for noncompliance. Cabo Verde needs to strengthen its AML supervision mechanisms for financial institutions, capital markets, and DNFBPs, including the gaming sector.

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

The FIU led the effort to create uniform DNFBP governance standards consistent with international standards across industries. The Pilot Group was formed in 2019 to concentrate efforts on four areas: the legal framework, training, resource allocation, and standardized documentation. Pilot Group stakeholders include the FIU and agencies overseeing the real estate, accountant, notary, and NGO sectors. While still in the pilot phase, group members are actively engaged.

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

Despite its achievements, Cabo Verde still needs to close important gaps. Among those are the development of a fully and broadly functioning cross-border currency declaration system and a record of tangible outcomes. Implementation and enforcement of the laws remain weak, although 23 AML cases were processed in 2017/2018. Government agencies appear unaware of their responsibilities under the AML regime.

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

## **Canada**

### **OVERVIEW**

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

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

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

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

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

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

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

Entities subject to KYC and STR requirements include banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); MSBs; accountants and accountancy firms; precious metals and stones dealers; and notaries in Quebec and British Columbia. A second package of regulatory amendments that will close other gaps in Canada's AML regime, such as the lack of AML compliance measures for foreign MSBs and virtual currency dealers, was published in July 2019 and will come into force on June 1, 2020.

The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, a head of an international organization, or an associate or family member of any such person.

The government published its national AML/CFT risk assessment in July 2015 and is currently updating this assessment. Parliament completed a statutory review of the administration and implementation of the PCMLTFA in November 2018. Parliament made 32 recommendations to strengthen Canada's regime, and the government response indicated it agreed with the direction of the majority of the committee's recommendations. A review is required every five years.

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

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

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

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

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

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

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

Canada has a rigorous detection and monitoring process in place, but should further enhance its enforcement and prosecutorial capabilities. As noted by international experts, when the magnitude of the identified money laundering risks is taken into account, Canada's money

laundering conviction rate appears to be low. In addition to the offense of laundering the proceeds of crime, the possession of proceeds of crime (PPOC) is also a criminal offense. The same penalties apply to both laundering and PPOC convictions involving more than approximately U.S. \$3,740 (\$5,000 Canadian).

Canada adopted legislation regulating virtual currencies in 2014 that will subject persons and entities to the same reporting requirements as MSBs. Regulatory amendments requiring virtual currency dealers to register as MSBs and comply with legislative obligations, such as suspicious transaction reporting and implementing a compliance program, were published in July 2019 and will come into force on June 1, 2020. Digital currency exchanges will have to register with FINTRAC. Financial institutions will be prohibited from establishing and maintaining accounts for virtual currency businesses not registered with FINTRAC.

## **Cayman Islands**

### **OVERVIEW**

The Cayman Islands, a UK overseas territory, is a major international financial center. It is the seventh largest foreign holder of U.S. Treasury securities and the 12<sup>th</sup> largest holder of international assets and liabilities. As of September 2019, the Cayman Islands had 122 banks; 144 trust company licenses; 144 licenses for company management and corporate service providers; 776 insurance-related licenses; and five MSBs that provide a range of services including: banking, structured finance, investment funds, trusts and company formation, and management. There are 110,451 companies incorporated or registered in the Cayman Islands and 10,937 licensed/registered mutual funds.

The Cayman Islands has an established AML/CFT/counter-proliferation financing regime. The government is committed to strengthening its AML/CFT framework.

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

The Cayman Islands has an indirect tax regime, and is susceptible to money laundering, primarily due to foreign criminal activity that may involve fraud, tax evasion, or drug trafficking. The offshore sector may be used to layer or place funds into the Cayman Islands' financial system. Its network of tax information exchange mechanisms extends to over 120 treaty partners. The Cayman Islands has over 100 potential exchange partners for Common Reporting Standard information.

Gaming is illegal. The government does not permit registration of offshore gaming entities. It maintains strong due diligence procedures to guard against bulk cash smuggling related to cruise ships. Cayman Enterprise City, a Special Economic Zone, was established in 2011 for knowledge-based industries. Of 53 businesses in the Commodities & Derivatives Park as of September 2019, 16 were registered with the Cayman Islands Monetary Authority (CIMA) under the Securities and Investment Law.

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## **KEY AML LAWS AND REGULATIONS**

Shell banks, anonymous accounts, and the use of bearer shares are prohibited. Tax evasion is codified as a predicate offense in the Penal Code and terrorism/terrorist financing is also a predicate offense for money laundering in the Terrorism (Amendment) Law.

In June 2019, the Cayman Islands Legislative Assembly approved the Proceeds of Crime (Amendment) Law to include virtual service providers and single family offices in the definition of “Relevant Financial Business,” bringing these activities under AML/CFT rules.

CDD and STR requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, MSBs, lawyers, accountants, corporate and trust service providers, money transmitters, dealers of precious metals and stones, the real estate industry, virtual asset service providers, single family office and other relevant financial business as defined in the Proceeds of Crime Law 2019.

In 2019, new legislation strengthened the jurisdiction’s AML/CFT framework to improve transparency and disclosure requirements, increase regulatory and supervisory oversight, and implement more proportionate and dissuasive sanctions. This action amended several laws, among them the Proceeds of Crime Law, Anti-Money Laundering Regulations, the Securities Investment Business Law, the Banks and Trust Companies Law, and the Limited Liability Companies Law.

The Cayman Islands is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrp/CFATF-Cayman-Islands-Mutual-Evaluation.pdf>

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

The Cayman Islands needs to strengthen AML/CFT effectiveness by improving the availability and accuracy of information, interagency coordination and cooperation, international cooperation, and monitoring and enforcement.

The government created a Ministerial Sub-Committee of Cabinet, chaired by the Premier, to oversee steps to address noted AML deficiencies. A new focus group, headed by the Office of the Director of Public Prosecutions, aims to enhance the use of financial intelligence, as well as investigation and prosecution of financial crimes.

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

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

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

The MLAT between the United States and the United Kingdom has been extended to the Cayman Islands.

As of October 2019, the government had conducted 38 money laundering investigations, resulting seven arrests and 20 money laundering-related charges.

The Securities Investment Business Law was amended in June 2019 to replace the category of Excluded Persons with Registered Persons, with such persons now subject to oversight by CIMA for AML/CFT purposes.

The AML Regulations require trust and company service providers to collect and maintain beneficial ownership information. The Registrar of Companies stores this information in a centralized platform, which facilitates instantaneous access for law enforcement and competent authorities. The government, in line with evolving standards and international obligations, such as those reflected in the EU 5th Anti-Money Laundering Directive and the UK's introduction of a public beneficial ownership register, committed to the introduction of a beneficial ownership public register by 2023.

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

### **OVERVIEW**

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. Chinese authorities continue to identify new money laundering methods, including illegal fundraising activity; cross-border telecommunications fraud; weapons of mass destruction, proliferation, and other illicit financial activity linked to North Korea; and corruption in the banking, securities, and transportation sectors. In 2019, China continued with its anticorruption campaign and increased regulatory scrutiny of the financial sector.

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

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

The primary sources of criminal proceeds are corruption, drug and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via bulk cash smuggling, TBML, shell companies, invoice manipulation, high-value asset purchases, investing illicit funds in lawful sectors, gaming, and exploiting formal and underground financial systems and third-



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

Although not a major offshore financial center, China has multiple Special Economic Zones (SEZs), 14 coastal open cities that enjoy some special policies of SEZs, and other designated development zones at the national, provincial, and local levels. Additionally, China has opened 18 FTZs, including six in 2019.

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

In January 2019, China's Banking Regulator, the China Banking and Insurance Regulatory Commission (CBIRC), issued "Guidance on Strengthening the Long Effective Mechanism Construction for Compliance Management of Overseas Institutions of Chinese Commercial Banks." The guidance includes mechanisms for Chinese banks and their foreign branches or banking affiliates to optimize compliance management and improve compliance performance, compliance safeguards, and cross-border supervision.

Also in January 2019, CBIRC issued "Measures on Administration of Anti-Money Laundering and Counter Terrorist Financing of Banking Financial Institutions." The measures define the AML/CFT responsibilities and duties of banks, including having AML/CFT risk management included in their comprehensive risk management systems; AML/CFT requirements included in their compliance management and internal control systems; and ensuring AML/CFT risk management systems cover all products and services.

In November 2019, China's central bank, the People's Bank of China (PBOC), issued for comment the draft "Notice on Launching Large Sum Cash Management Pilot in Hebei, Zhejiang and Shenzhen." The notice outlines a pilot program to monitor and manage large cash transactions for two years. The pilot will take place in the noted cities and will initially involve various types of recordkeeping and regulation in several sectors, including banking, real estate, and Medicare, and will subsequently expand to additional sectors and private accounts. It will also enhance the monitoring of cross-border large cash flows and the renminbi cash business in Hong Kong. The comment period ended on December 5, 2019.

China has comprehensive KYC and STR regulations and stringent monitoring requirements for high-risk accounts, including foreign PEPs. High-risk accounts are subject to re-verification at least every six months.

China is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-China-2019.pdf>.

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

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

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

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

Since late last year the PBOC has intensified its enforcement of AML violations committed by commercial banks, payment institutions, insurance companies, and securities companies.

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

The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and public prosecutors are authorized to seize or freeze property. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent. There is no express provision in legislation to allow the seizure/confiscation of property of corresponding value; however, China claims confiscation of property of corresponding value can be achieved through Art. 2, Reg. on Application of Property Penalty.

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

## **Colombia**

### **OVERVIEW**

Colombia has one of Latin America's most rigorous AML regimes, but money laundering persists throughout its economy, involving proceeds from drug trafficking, illegal mining, extortion, and corruption. Colombia has an impressive ability to detect money laundering but should continue to improve interdiction, prosecution, and interagency cooperation in order to disrupt drug trafficking and other illegal activities and deprive criminals of ill-gotten gains.

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

Illicit funds are most commonly laundered through bulk cash smuggling and TBML, especially involving counterfeit and contraband goods entering through Colombia's ports. Goods are

smuggled into Colombia via neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. The more than 100 FTZs in Colombia are generally well-regulated for AML purposes. However, there are many informal markets that are connected to TBML, operating with limited supervision and enforcement. TBML frequently involves invoice-related fraud to enable transactions. According to Colombian officials, corrupt customs authorities facilitate evasion of the customs process. Criminal organizations occasionally launder illicit proceeds through the formal financial system, but primarily use less-regulated mechanisms such as the non-bank financial system and real estate. Money brokers often facilitate money laundering transactions using sophisticated networks.

Illegal gold mining is another major mechanism for money laundering. A profitable enterprise on its own, illegal gold mining attracts criminal organizations due to the ease of extracting gold in areas of limited state presence and the difficulty in tracing gold's source once in circulation. Other techniques and commodities used to launder illicit funds include: real estate transactions; wire transfers; remittances; casinos, gaming, and lotteries; cattle and other animals; and prepaid debit cards. There are also documented cases of money laundering involving virtual currency, but they represent a small fraction of the number of cases and amount of funds laundered compared to other methods.

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

The AML legal regime and regulatory structure in Colombia generally meet international standards. Colombia has enacted CDD and STR regulations. The Colombian congress introduced a bill in May 2019 that seeks to regulate virtual currency exchanges but has not yet passed it.

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

Colombia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/#Colombia>.

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

Colombia has a rigorous AML legal, policy, and regulatory framework. While the Colombian government's regulation of the financial sector is robust, its regulation of other sectors (notaries, money exchange businesses, lawyers, and real estate professionals) is inconsistent, and there is limited information sharing with key AML institutions. The financial sector regulators are working to expand their risk-based approaches to AML regulation, but they require more resources in order to do so.

DNFBPs generally have a lower level of awareness than the financial sector regarding money laundering/terrorist financing regulations. Regulators of DNFBPs are relatively under-resourced compared to the financial sector, posing a challenge to efficiently and effectively monitor AML/CFT compliance.

Enhanced due diligence (EDD) for foreign PEPs is only partially addressed, with some covered entities only required to apply EDD for domestic PEPs. There are also significant deficiencies in the CDD framework and its implementation.

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

Key impediments to an effective AML regime continue to be limited interdiction capability, uneven cooperation within and between agencies of the Colombian government, and inadequate resources for investigating and prosecuting complex financial crimes. Although information sharing between investigators and prosecutors is improving following a 2017 restructuring of the Attorney General's Office (Fiscalia), bureaucratic stove piping and inadequate information sharing still limit the effectiveness of Colombia's AML regime.

Most money laundering is detected through investigations into narcotics trafficking and other criminal activities. Colombia's FIU relies on STRs filed by financial institutions and over 17,000 reporting entities. However, there are reporting gaps, such as from postal operators. The Colombian government's ability to dismantle TBML schemes is limited due to the complex networks used to smuggle goods and subsequently launder the proceeds, lax enforcement, and corruption by customs officials. Money laundering networks adapt quickly, challenging Colombian investigators, prosecutors, and judges to keep pace with evolving criminal enterprises.

The government body that manages seized assets, the Special Assets Entity, has struggled to manage the vast quantity and range of seized illicit goods, including vehicles, real estate, and livestock. Its limited capacity to quickly liquidate assets has increased management expenses; however, it is working on a bulk sale of one-quarter of the real estate it manages in 2020 in order to reduce expenses and reinvest proceeds into counternarcotics operations. Another impediment to the asset forfeiture system is insufficient judiciary resources. There are only 15 asset forfeiture judges in all of Colombia, prolonging some cases for more than 30 years.

Criminal organizations use corruption, bribery, and adaptive financial networks, or more often a combination of all three, to circumvent Colombia's AML regime. President Duque's administration and the Fiscalia are committed to addressing this issue, however they require more law enforcement personnel and resources to do so.

## **Costa Rica**

### **OVERVIEW**

Transnational criminal organizations leverage Costa Rica as a base for financial crimes due to enforcement challenges, resource limitations, and its geographic location on a key transit route for narcotics and illicit goods. Costa Rica has sustained improvement of its supervision framework and approved legislation to strengthen enforcement capacity and money laundering prevention mechanisms. Gaps remain, however, and additional funding for key units, improved asset forfeiture provisions, and swifter procedures for records and information sharing could

mitigate current challenges.

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

Narcotics trafficking remains the principal source of laundered assets, while human trafficking, migrant and contraband smuggling, fraud, and corruption also generate illicit revenue. The construction, real estate, and hotel sectors are areas of concern, while campaign financing has become a new focus of money laundering vulnerability. Costa Rica is not a regional financial hub; however, significant tourist and migrant flows contribute to the vulnerability of Costa Rica's airports and border crossings as sites for bulk cash smuggling and related typologies.

Online gaming and sportsbook enterprises, legal in Costa Rica, remain areas of concern. While financial institutions remain vulnerable to money laundering, their exposure has lessened with the gradual implementation of increased monitoring requirements.

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

Costa Rica has CDD and STR requirements, and a fiscal fraud law (Law 9416) provides for disclosure of beneficial owners. Executive and legislative branch officials have demonstrated commitment and political will to align Costa Rica's legal framework with international standards. In June 2019, Costa Rica's legislature approved a corporate criminal liability law (Law 9699) for offenses related to bribery and corruption, remedying a longstanding deficiency in Costa Rica's AML framework.

Costa Rica's reporting and supervision requirements include traditional financial institutions and DNFBPs. Entities subject to reporting and supervision requirements include banks; savings and loan cooperatives; pension funds; insurance companies and intermediaries; money exchangers; securities brokers/dealers; credit issuers and sellers/redeemers of traveler's checks and money orders; trust administrators; financial intermediaries and asset managers; real estate developers/agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; pawnshops; automotive dealers; casinos and electronic gaming entities; NGOs that receive funds from high-risk jurisdictions; lawyers; notaries public; and accountants.

Costa Rica is party to several inter-American agreements on criminal matters and UN conventions. These instruments often serve as the basis to provide mutual legal assistance in the absence of a bilateral MLAT. Costa Rica cooperates effectively with U.S. law enforcement through international cooperation offices at key institutions.

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

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

Despite concerted efforts to pass asset forfeiture legislation, Costa Rica remains a regional outlier for lacking a stand-alone law, forcing reliance on articles of the existing organized crime

law, which lack provisions for asset sharing or international cooperation. Furthermore, Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture nor provisions for asset sharing. While challenges remain, political will within the executive and legislative branches to correct this vacuum has intensified, and the prosecutor's office increasingly leverages the existing organized crime law to seize illicit assets.

Costa Rica does not regulate virtual currencies, and increased popularity of cryptocurrencies presents an additional enforcement challenge for local authorities.

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

Costa Rica continues to address implementation deficiencies, however, fiscal austerity measures coupled with widespread personnel transitions in the judicial branch presented considerable enforcement challenges in 2019. A Special Jurisdiction for Organized Crime that was projected to be functioning by October 2019 was postponed over budget restrictions. Staffing levels at Costa Rica's Special Prosecutor Office for Money Laundering (SPOML) remain generally steady, while the number and complexity of money laundering cases increase. There were over 300 active cases as of September 2019, the majority in the SPOML. Twenty cases concluded during this period, resulting in 12 convictions, a third from guilty pleas. Prosecutors must continue to prove a direct link between the predicate offense and illicit assets; and long wait times to waive bank secrecy provisions further complicate investigations.

The banking sector continues to generate the majority of STRs, and the number of STRs has remained generally steady, with a slight drop versus 2018. The supervision platform for DNFBPs continues to advance, and the DNFBP registry commenced in April 2019, with 3,522 entities and individuals registered as of November 2019. In September 2019, Costa Rica's regulatory agencies commenced registering beneficial ownership for every entity in the financial system, a process that is expected to conclude in 2020.

Costa Rica's desire to comply with OECD accession requirements and international AML standards has generated a conducive environment for substantive changes to the AML framework, and recent legislative efficiency has accelerated this trend.

## **Cuba**

### **OVERVIEW**

Cuba is not a regional financial center. Cuban financial practices and U.S. sanctions continue to prevent Cuba's banking system from fully integrating into the international financial system. The government-controlled banking sector renders Cuba an unattractive location for large-scale money laundering through financial institutions. The centrally-planned economy allows for little, and extremely regulated, private activity. However, a significant black market operates parallel to the heavily subsidized and rationed formal market dominated by the state and which state authorities actively participate in and benefit from. The Government of Cuba does not identify money laundering as a major problem.

The Cuban government and state-controlled businesses actively engage in money laundering in order to evade U.S. sanctions. Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities to expand its capacity to fight illegal activities. Cuba should increase the transparency of criminal investigations and prosecutions.

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

Although it is largely disconnected from the international financial system, there are some factors and conditions in Cuba that are conducive to money laundering and make Cuba a potential destination for illicit funds. These include a poorly regulated and opaque banking sector, Cuba's cash-based economy, the Cuban government's desperation for hard currency, ubiquitous government corruption and overall lack of transparency, and connections to high profile current and former government leaders accused of corruption.

Cuba's geographic location places 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. There are no known issues with or abuse of NPOs, ARS, offshore sectors, FTZs, bearer shares, or other specific sectors or situations.

Cuba's first special economic development zone at the port of Mariel in northwestern Cuba was established in November 2013 and is still under development.

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

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

The United States and Cuba have very limited engagement in law enforcement matters. Cuba has bilateral agreements with a number of countries related to combating drug trafficking.

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

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

Cuba has a number of strategic deficiencies in its AML regime. These include a lack of SAR reporting to its FIU by financial institutions and DNFBPs, and weak supervision and enforcement of its DNFBP and NPO sectors. These deficiencies stem from Cuba's opaque national banking system, which hampers efforts to monitor the effectiveness and progress of Cuba's AML efforts.

The U.S. government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The embargo remains in place and restricts travel and most investment and prohibits the import of most products of Cuban origin. With some notable exceptions, including

agricultural products, medicines and medical devices, telecommunications equipment, and consumer communications devices, most exports from the United States to Cuba require a license. Additionally, a number of U.S.-based assets of the Cuban government or Cuban nationals are frozen.

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

In April 2019, the Cuban government convicted Cuban-American Orelvis Olivera in absentia and sentenced him to 10 years in prison for money laundering, tax evasion, forgery of public documents, and illicit enrichment, among other crimes, based on his convictions in the United States and his investments in Cuba, which the Cuban government proceeded to confiscate.

Several international banks admitted they participated in the laundering of funds transiting Cuba. In April 2019, British bank Standard Chartered agreed to pay \$1.1 billion to settle allegations by the authorities in the United States and Britain that it violated money-laundering laws and economic sanctions. This follows a \$1.34 billion settlement French bank Société Générale agreed to in November 2018 in a similar case.

Cuba should increase the transparency of its financial sector and increase its engagement with the regional and international AML communities. Cuba should ensure its CDD measures and STR requirements include domestic PEPs, all DNFBPs, and the NPO sector, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba should increase the transparency of criminal investigations and prosecutions.

## **Curacao**

### **OVERVIEW**

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

Curacao is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions, with the approval of the local parliament. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Curacao.

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

Money laundering organizations may try to take advantage of the availability of U.S. dollars, offshore banking and incorporation systems, two FTZs, a large shipping container terminal, Curacao-based online gaming sites, and resorts/casinos to place, layer, and integrate illegal



proceeds. Money laundering occurs through real estate purchases, international tax shelters, gold transactions, and through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands.

Given its proximity and economic ties to Venezuela, the risk of Curacao being used to launder the proceeds of crimes emanating from Venezuela is substantial. However, the number of Venezuelans who could take advantage of access to U.S. dollars and euros has significantly declined since the humanitarian crisis in Venezuela erupted, and the border closure between the Kingdom and Venezuela went into effect. The Curacao government banned the trade in Venezuelan gold.

The termination of a U.S. tax treaty and Curacao's adoption of the New Fiscal Framework has led to an erosion of Curacao's offshore sector. Curacao's offshore tax regime ended in 2002; after that date, no new offshore companies could incorporate. Existing offshore companies had until July 1, 2019 or December 31, 2019 to operate under the existing offshore regime (depending on whether they use a fiscal or calendar year). After this, the companies will in theory be subject to Curacao's onshore effective tax rate of 22 percent, but alternate tax regimes remain, depending on company activities.

Curacao's offshore sector was the main foreign exchange provider in 2000, but by 2012, that percentage had shrunk to single digits, according to Curacao's central bank. Curacao is trying to rebrand its offshore sector to transition towards providing back office services for international companies. Curacao's FTZ is supervised by Curacao's state-owned (85 percent) Curinde N.V. Corporation and overseen by the Minister of Economic Development. There are 52 banks currently operating in Curacao.

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

The Kingdom may extend the applicability of international conventions to the autonomous entities in the Kingdom. The Kingdom extended to Curacao the 1988 UN Drug Convention and the UNTOC (as a successor to the Netherland Antilles). With the Kingdom's agreement, each autonomous entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, if they do not infringe on the foreign policy of the Kingdom.

The financial sector consists of trust and company service providers, administrators, and self-administered investment institutions providing trust services and administrative services. Covered service providers are obligated by AML legislation to file unusual transaction reports (UTRs) with the FIU and are covered by the KYC laws.

Money transfer/cash courier companies must be licensed and supervised by the Central Bank of Curacao and Sint Maarten. Curacao is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

The Curacao Gaming Control Board is the supervisor for the Curacao gaming industry for compliance with legislation and regulations regarding AML/CFT.

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

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

Curacao has started conducting a national money laundering risk assessment.

The Kingdom has not extended the UNCAC to Curacao.

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

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

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

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

Curacao recently conducted several high-profile money laundering investigations, and numerous former officials were investigated, charged, or convicted. Curacao continues with two multi-year money laundering prosecutions. Curacao's request to sign a Status of Forces Agreement with the U.S. will bolster its law enforcement capacity to deter money laundering-related crimes.

## **Cyprus**

### **OVERVIEW**

The Republic of Cyprus (ROC) is the only internationally recognized government on the island, but since 1974 the northern part of Cyprus has been administered by Turkish Cypriots. The north proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983, but the United States does not recognize the "TRNC," nor does any country other than Turkey. A buffer zone patrolled by the UN Peacekeeping Force in Cyprus separates the two sides. The ROC and the area administrated by Turkish Cypriots are discussed separately below.

## **The Republic of Cyprus**

The ROC continues to upgrade its established AML legal framework. As a regional financial and corporate services center, Cyprus has a significant number of nonresident businesses. However, the total number of companies has declined from 272,157 in 2013 to 216,239 at the end of 2018 as ROC authorities have stepped up enforcement with registration rules, including the annual submission of accounting reports. Closures of old companies also contributed to the decline even though more than 10,000 new companies have been registered every year since 2013. By law, all companies registered in Cyprus must disclose their ultimate beneficial owners to authorities.

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

The ROC financial system is vulnerable to money laundering by domestic and foreign criminals; proceeds generated by illicit activity abroad pose a greater threat. The main criminal sources of illicit proceeds are investment fraud, corruption, advance fee fraud, tax evasion, illegal drugs, and tobacco smuggling. Additionally, cybercrime cases, especially phishing, e-mail hacking, and the use of ransomware, continue to increase. Criminals have reportedly used ROC banks in the past to launder proceeds, particularly from Russian and Ukrainian illicit activity.

The gaming sector may be vulnerable to abuse. In 2018, the government awarded a multi-year, exclusive casino license to Hong Kong-based Melco International. Melco is building a multi-million euro casino resort expected to open in 2021. Until then, Melco has been authorized to open five “pop up” casinos throughout the country. ROC authorities are just beginning to develop the capacity to supervise casino-based activity. The ROC established a gaming authority and is working with international gaming consultants to conduct due diligence on clients, to train staff, and to establish mechanisms to report illicit activity. Another emerging concern is the rise of virtual banking and use of virtual currency.

The ROC citizenship-by-investment (CBI) program allows foreign investors to apply for ROC (and thus EU) citizenship after investing more than \$2.2 million in ROC business, infrastructure, or development, subject to several conditions. This program generated significant investment in the ROC, some \$7.3 billion from 2013 to the end of 2018. Prior to 2018, eligibility requirements were not stringent and due diligence checks were lax. Following pressure from the EU and United States, the ROC tightened eligibility criteria and oversight in 2018 and 2019. These changes include: introducing a cap in the number of citizenships granted annually at 700 and establishing an interagency committee to better supervise the program; establishing an online register of and regulating service practitioners authorized to provide residency/citizenship consulting services; introducing stricter eligibility criteria in May 2019, including a valid Schengen visa, no criminal record or sanctions, and no prior rejection for citizenship in any other EU member state; raising the minimum period for maintaining the investment in Cyprus after naturalization from three years to five; and barring various categories of individuals, including PEPs. The ROC also enhanced due diligence by hiring three international firms to conduct additional background checks on all new applicants. The changes are a significant improvement but are still overly dependent on selected, public sources of information for due diligence. In November 2019, the ROC decided to review all pre-2018 CBI beneficiaries for potentially

disqualifying information. On November 6, 2019, the ROC announced its intention to revoke the citizenship of 26 unnamed CBI beneficiaries, but it is not yet clear whether there is a clear legal path for revocation.

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

The Unit for Combating Money Laundering (MOKAS) is the ROC's FIU. The ROC has several supervisory authorities for AML compliance, all of which can issue directives to their respective supervised entities and have developed onsite and offsite tools for risk-based supervision.

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

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

There is a bilateral MLAT between the United States and Cyprus.

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

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

The ROC continues to upgrade its AML/CFT legal framework. ROC authorities finalized its first national risk assessment (NRA) in 2018. The NRA characterizes the Cypriot banking sector as high risk, and trust and company service providers, lawyers, and accounting firms as medium/high risk. The NRA identifies numerous areas for improvement, including more effective implementation of AML laws and regulations, enhanced awareness and capacity building in all sectors, and specialized training for prosecutors, investigators, and the judiciary. The ROC endorsed a national AML strategy and a detailed action plan to address issues identified in the NRA.

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

In 2018, the AML/CFT law was amended to enable the registration and enforcement of foreign non-conviction-based (NCB) confiscation orders. The first such NCB confiscation order enforced in the ROC was an order issued by a United States court.

Supervision of the banking sector, including fit and proper checks, need to be strengthened. In 2018, the Central Bank of Cyprus (CBC) issued circulars addressing shell companies and letter-box companies. The circulars define shell companies, call on banks to review their client bases for such customers, and require covered entities to avoid doing business with them. Subsequently, banks closed noncompliant accounts and refused to open new accounts that fail to

meet the circular's specified thresholds. The circular was incorporated in the legally binding CBC Directive to Credit Institutions in February 2019. This was accompanied by a further tightening of the requirements to establish or maintain business relationships with shell companies.

Supervisory authorities are legally empowered to take measures against noncompliant entities. In an effort to "name and shame" offenders, and following specific legal provisions, both the CBC and the Cyprus Securities and Exchange Commission post information on their websites on the imposition of fines. Authorities also recently introduced a standardized, electronic STR to improve reporting effectiveness.

In 2018, Cypriot authorities convicted 26 persons for money laundering offenses.

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

#### **OVERVIEW**

The area administered by Turkish Cypriots lacks the legal and institutional framework necessary to prevent and combat money laundering. Turkish Cypriot authorities have taken steps to address some major deficiencies, although "laws" are not sufficiently enforced to effectively prevent money laundering. The casino sector and the offshore banking sector remain of concern. Because of international sanctions and the lack of recognition of the "TRNC," the banking sector is largely isolated from international financial institutions. Banks operating in the area do not have access to the SWIFT system and have almost no correspondent banking relationships outside of Turkey. Almost no international central bank will conduct business with the "TRNC central bank." This isolation somewhat mitigates the money laundering risk, as moving illicit funds out of the area administered by Turkish Cypriots is difficult.

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

As of November 2019, there are 34 casinos in the Turkish Cypriot-administered area. Local experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector poorly regulated and vulnerable to money laundering. The unregulated moneylenders and currency exchange houses are also of concern.

The offshore banking sector also poses a money laundering risk. As of November 2019, it consists of seven offshore banks regulated by the "central bank" and 475 international financial services companies. Turkish Cypriots only permit banks licensed by OECD-member countries to operate an offshore branch locally.

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

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

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

Turkish Cypriot authorities passed AML “legislation” in 2008.

Financial institutions and DNFBPs are required to submit STRs to the “FIU.” Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “Attorney General’s Office,” and then, if necessary, to the “police” for further investigation.

Draft AML “legislation” incorporating elements of international standards has been pending approval in “parliament” since 2014.

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

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

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

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

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

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

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

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

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

Between January and October 2019, the “FIU” reported receiving 941 STRs, compared to 2,389 for the same period in 2018, and participated in 30 money laundering-related criminal investigations, and one prosecution.

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

## **Dominica**

### **OVERVIEW**

Despite the devastation caused by Hurricanes Irma and Maria in 2017, Dominica made some progress on its AML regime in 2018. Dominica began a national risk assessment (NRA) in 2016. The findings of the NRA will provide a roadmap for the future. Dominica reports there are currently 17 offshore banks regulated by the Financial Services Unit (FSU), which also licenses and supervises credit unions, insurance companies, internet gaming companies, and the country’s economic citizenship program.

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

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

Under Dominica’s citizenship by investment (CBI) program, individuals can obtain citizenship through a donation to the government’s Economic Diversification Fund of \$100,000 for an individual or \$200,000 for a family of four, or through an investment in real estate valued at a minimum of \$200,000. The real estate option incurs fees ranging from \$25,000 to \$70,000 depending on family size. Authorized agents, based both domestically and abroad, market the CBI program and are typically the first point of contact for applicants. Dominica markets its program as “one of the fastest and most affordable” in the Caribbean. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CBIU) to manage the screening and application process. Applicants from Iran, North Korea, and Sudan are eligible to apply if they have not lived in those countries for at least 10 years, have no substantial assets there, and do not engage in business in or with those countries. Applicants from Iran, North Korea, Sudan, and Syria are required to undergo enhanced due diligence checks with associated higher fees. Dominica accepts a large number of applicants and sometimes issues passports despite adverse information on applicants uncovered during the vetting process.

As of year end 2019, Dominica's offshore sector hosts two internet gaming companies, 17 offshore banks, 10 credit unions, one development bank, 16 insurance agents, two insurance brokers, 19 insurance companies, one internet gaming company, 10 MSBs, and an unknown number of trusts and IBCs. (As of 2015, the number of IBCs was close to 19,000.) Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs.

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

Dominica has extensive AML laws and regulations, including the 2016 Money Laundering Prevention (Amendment) Act (MLPA), the 2013 Financial Services Unit (Amendment) Act, and the 2016 Proceeds of Crime (Amendment) Act. A 2018 Magistrate's Code of Procedure Act update (SRO 9-2018) clarifies the forms and procedures used in the application for detention and forfeiture of cash.

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

Dominica has an MLAT with the United States.

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

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

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

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

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

## **Dominican Republic**

### **OVERVIEW**

The Dominican Republic (DR) is a major transshipment point for illicit narcotics destined for the United States and Europe. The eight international airports, 16 seaports, 800-mile coastline, and a large porous frontier with Haiti present Dominican authorities with serious challenges. The DR



is not a major regional financial center, despite having one of the largest economies in the Caribbean.

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

In July 2019, the DR FIU was readmitted to the Egmont Group as a result of a multi-year effort to bring AML procedures and practices into line with Egmont standards.

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

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

As of the end of 2018, 673 companies, primarily engaged in manufacturing, are located in the DR's 74 FTZs. These companies are exempt from most national and municipal taxes, as long as the products they produce are exported to foreign markets. The National Council of Export Free Trade Zones regulates compliance with Law 8-90, on Free Trade Zones, and is composed of representatives from the public and private sectors. There are no known instances of money laundering activity in the FTZs.

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

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

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

The DR's weak asset forfeiture regime is improving but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. Legislation to institute non-conviction-based asset forfeiture and align the asset forfeiture regime with international standards has been under review by the congress of the DR for over two years.

The DR is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/#Dominican%20Republic>.

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

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

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

Following its expulsion from the Egmont Group in 2006, the FIU improved its functionality and the DR adopted appropriate legislative changes to eliminate a second FIU-like organization, resulting in the DR being readmitted into the Egmont Group in July 2019.

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

The Attorney General's Office reports there were seven convictions in calendar year 2019 for money laundering as well as 40 active trials currently underway.

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

## **Ecuador**

### **OVERVIEW**

Ecuador is a major drug transit country. A dollarized, cash-based economy and geographic location between two major drug-producing countries make Ecuador highly vulnerable to money laundering and narcotrafficking. Approximately 61 percent of adults have bank accounts. Money laundering occurs through trade, commercial activity, and cash couriers. Bulk cash smuggling and structuring are common problems.

Bureaucratic stove-piping, corruption, and lack of specialized AML expertise in the judiciary, law enforcement, and banking regulatory agencies hinder the government's efforts to improve AML enforcement and prosecutions.

Pursuing public corruption is a top priority for President Moreno's government. Authorities have investigated and prosecuted high-level government officials for bribery, embezzlement, illicit enrichment, and organized crime. The Attorney General's Office (AGO) continues to

investigate allegations of financial crimes related to state-owned oil company PetroEcuador and the Brazilian construction company Odebrecht.

Ecuadorian cooperation with U.S. law enforcement agencies on money laundering is increasing, due in part to the September 2019 MOU between FinCEN, the U.S. FIU, and the Financial and Economic Analysis Unit (UAFE), the Ecuadorian FIU.

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

Narcotrafficking is a significant source of illicit proceeds, and criminals continue to use commercial and trade mechanisms to launder funds. Authorities note persistent money laundering problems related to natural resource exploitation, narcotrafficking, and government corruption. TBML, particularly cross-border activities, remains a concern.

Government officials report the use of the Unified System of Regional Payments (SUCRE) – designed to facilitate prompt payment between Venezuelan, Ecuadorian, Cuban, Nicaraguan, and Bolivian companies – has effectively ceased.

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

Ecuador has STR requirements and enhanced due diligence for PEPs. Legislation prohibits public officials from maintaining assets in countries designated as tax havens.

The national assembly proposed penal code reforms in September 2019 to strengthen authorities' ability to freeze, seize, and recover assets. The proposed reform permitted forfeiture before completion of the appeals process. President Moreno vetoed the asset forfeiture reforms on the grounds they would violate an individual's constitutional rights. The national assembly has not yet acted on the veto but admitted for debate, on October 22, 2019, an asset forfeiture law to recover goods of illicit or unjustified origin and destination.

Ecuador and the United States cooperate under relevant multilateral conventions to ensure the sharing of records in connection with drug investigations and proceedings.

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

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

Corruption, inadequate training for law enforcement and the judiciary, and frequent misinterpretation of the law are primary AML deficiencies. Judges are often susceptible to bribery and frequently hinder narcotics-related money laundering investigations. The prosecutorial office handling money laundering suffers from reputational deficiencies and has been subject to political pressures to shelve cases. A lack of coordination and trust among law enforcement, the AGO, and financial regulators hinders AML efforts.

The Superintendence of the Popular and Solidarity Economy (SEPS) regulates approximately 400 credit unions and hundreds of other institutions. SEPS has difficulty supervising this heterogeneous sector. Its 2019-20 strategic plan highlights improving the quality and efficiency of oversight. Other regulators and law enforcement agencies question SEPS' money laundering unit's capabilities.

UAFE can administratively sanction reporting entities only for missing monthly reporting deadlines. Sanctions do not increase for recidivism, although the law stipulates the maximum fine for reoffending. UAFE has no administrative sanctioning authority for failure to report or otherwise act on a suspicious transaction, but must rely on the AGO to initiate an investigation.

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

Convictions for bulk cash smuggling are difficult to obtain as authorities are given only 30 days to investigate. The law stipulates administrative fines for failure to declare cash/currency at a port of entry but does not address other financial instruments. Only international air travelers bringing in over \$10,000 in cash or other "taxable assets" are required to submit a customs declaration form.

The constitution permits trials in absentia and voids the statute of limitations for government officials on trial for specified crimes, but not money laundering. This frequently results in officials under investigation for money laundering fleeing Ecuador until the statute of limitations expires, hindering prosecutions.

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

UAFE completed a national risk assessment with international donor assistance. UAFE, the AGO, and the National Police are establishing a joint counternarcotics money laundering investigative unit.

UAFE referred 13 possible money laundering cases to the AGO through October 2019. The government does not make publicly available statistics on money laundering-related prosecutions and convictions.

In April 2019, a judge allowed the embezzlement trial against a former secretary of communications to proceed in absentia. Former Minister of Social and Economic Inclusion Ivan Espinel was sentenced in May 2019 to 10 years in prison and fined \$505,000 for money laundering and other crimes. In November 2019, the AGO charged 22 people with bribery and two as accomplices in the *2012-2016 Sobornos Case*. The case involves an alleged bribery scheme implicating public officials (including former president Correa and former vice president Glas) and businessmen, who allegedly provided funding to Correa's Alliance PAIS political movement through cash and offsetting invoices in exchange for public works contracts. Officials report the Moreno administration recovered \$18.5 million in illicit assets.

## El Salvador

### OVERVIEW

El Salvador made significant progress in combating money laundering (ML) during 2019, primarily due to the efforts of the Attorney General's (AG) office, which increased its capacity to investigate and prosecute money laundering offenses and to seize and forfeit related assets. The AG's office added 15 prosecutors to money laundering and asset forfeiture units and obtained its first money laundering convictions against MS-13 gang members and associates. New legislation granted the FIU increased independence in accordance with international norms. El Salvador was reinstated in the Egmont group, providing Salvadoran institutions increased access to financial intelligence from foreign partners.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

El Salvador is geographically vulnerable to the transit of South American cocaine to the United States. Its location and dollarized economy make it a potential haven for transnational organized crime groups. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua, allows for the free movement of their citizens across the respective borders. As a result of lax border/customs security, several trade-based and black-market currency schemes were identified in El Salvador.

Money laundering in El Salvador is primarily related to proceeds from corruption-related crimes, illegal narcotics, and organized crime; there is no indication that money laundering is being used to fund terrorist activities.

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

As of December 2019, there were 17 FTZs operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy.

### KEY AML LAWS AND REGULATIONS

The asset forfeiture legislation allows the government to sell property seized in criminal investigations, and at the end of the year, to distribute the proceeds to government agencies. The AG's office and the Ministry of Justice and Security are entitled to each receive 35 percent of the distribution. Yearly distributions are steadily increasing, with a first distribution of \$92,700 in 2015, and a distribution of \$771,900 in 2018.

At the end of 2019, the AG's office had 385 open investigations and 105 cases in court proceedings.

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

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

Information sharing between El Salvador and FinCEN, the U.S. FIU, was frozen in 2013, following an unauthorized disclosure of information by El Salvador's FIU. Communication has now been restored, and FinCEN and the El Salvadoran FIU began exchanging information again in 2019.

In late September 2018, the El Salvadoran FIU was also suspended from the Egmont group, a substantial impediment to information sharing with international partners. In 2019, legislative reform granted additional independence to the FIU. After additional modifications, El Salvador was reinstated in the Egmont group in 2019.

The regulatory institutions charged with AML supervision remain relatively weak and lack human resources and sufficient regulatory powers.

Because of the lack of regulation, non-bank entities such as casinos, pawn shops, and other DNFBPs do not file suspicious activity reports. Comprehensive legislation governing these institutions is pending in the legislature.

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

Authorities are currently working on legislation to improve regulation of DNFBPs.

Since the asset forfeiture law was implemented in 2014, the AG's office has made great advancements in seizing and forfeiting criminal assets. From 2014 through November 2019, the AG's office seized 1,141 assets valued at over \$182 million (not including productive assets or seized companies). While most assets remain the subject of ongoing court proceedings, 132 assets, valued at \$4.3 million, have received final orders of forfeiture, while the return of only 21 assets valued at \$640,100 has been ordered.

El Salvador's major money laundering convictions relate to ex-president Antonio Saca and his associates who, during his term (2004-09), diverted approximately \$260 million of government funds into secret accounts, then through their businesses. As part of a plea agreement, the AG's office seized through forfeiture several million dollars in properties, businesses, vehicles, and cash that were proceeds of the fraud. In addition, in September 2019, the AG's office obtained money laundering convictions against MS-13 members and associates for the first time, showing their resolve to apply money laundering laws to a variety of criminal activities.

## Georgia

### OVERVIEW

Georgia is located along a well-established trafficking corridor and faces international money laundering threats. Georgia's ease of doing business attracts investment, but also facilitates entry of ill-gotten funds into the financial system. Much illegal income in Georgia derives from bank fraud and cybercrime. Virtual currency is unregulated in Georgia, though the Georgian government is beginning to focus on how to address these currencies. Additionally, there is not sufficient oversight of the gaming sector. In October 2019, Georgia adopted new legislation and an assessment tool aimed at creating effective AML/CFT monitoring and enforcement mechanisms. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Georgian authorities.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Bank fraud and cybercrime are significant generators of illicit proceeds. Social engineering schemes are also used to commit mass marketing fraud. Banking systems and money transfer services are the primary means to move funds, and often Georgia is just one link in an international criminal chain. The general economic situation in Georgia, which is far from being a developed economy, forms fruitful ground for money launderers to find front men. Georgia's open business environment makes it attractive for clean investment, but also poses vulnerabilities for illicit funds to enter and transit the financial system. Virtual currency is unregulated, which poses a significant money laundering risk.

The unchecked growth of the gaming industry, including internet gaming, is concerning. According to the Financial Monitoring Service (FMS) January 2019 Annual Report, there are 449 lotteries and gaming institutions registered in Georgia and 34 casinos. The AML obligations of gaming establishments are identical or substantively similar to the requirements placed on other covered entities. The Ministry of Finance supervises lottery organizations, gaming institutions, and casinos for AML compliance. However, in 2018, casinos and gaming institutions filed over 1,800 CTRs but only one STR, indicating the industry may not be complying with existing regulations or is not subject to adequate enforcement by authorities.

### KEY AML LAWS AND REGULATIONS

On October 30, 2019, Georgia adopted new legislation, the Law on Facilitating the Prevention of Money Laundering and Terrorism Financing, aimed at creating effective monitoring and enforcement mechanisms. Prior to the new legislation, enhanced due diligence (EDD) measures applied only to foreign PEPs. The new law extends the requirement to apply EDD measures to domestic PEPs and the heads of international (intergovernmental) organizations; increases the ability of law enforcement to retrieve information from the Financial Monitoring Service (FMS), Georgia's FIU, for investigating money laundering and terrorism finance; and includes insurance brokers, law firms, and certified accountants as reporting entities.

Georgia's Civil Procedure Code permits civil forfeiture of any undocumented property in the possession of persons convicted for money laundering or other designated offenses.

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

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

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

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

On October 30, 2019, the Government of Georgia approved its first Money Laundering and Terrorism Financing National Risk Assessment (NRA) and action plan. The NRA aims to raise awareness of competent authorities and the private sector by helping them to determine and align resources in response to existing risks, assessed at both national and sectoral levels. According to initial findings, money laundering risks are considered medium and terrorism financing risks low.

The FMS operates as an independent agency accountable to the Cabinet and shares operational information with relevant entities on a regular basis and on request from law enforcement. The Prosecution Service of Georgia (PSG) has a specialized department with investigative and prosecutorial units that handle money laundering crimes. The PSG continues to conduct monitoring of profit-motivated crimes, creating a multi-agency platform with law enforcement and the FMS to analyze cases, generalize practices, and identify current trends. In fiscal year (FY) 2019, 25 money laundering prosecutions were initiated, compared to eight during FY 2018. During FY 2019, six people, including a legal entity, were convicted of money laundering.

Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely disclose financial components. Despite a domestic market for illegal drugs and international drug trafficking through Georgia, narcotics trafficking is rarely investigated as a predicate offense for money laundering. The PSG has guidelines recommending a task force approach to money laundering investigations.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing links between organized crime and money laundering. A task force approach could facilitate greater exchange of information and cooperation, pulling together intelligence and resources to attack financial crimes. Georgia also should take steps to supervise and improve regulations for its gaming industry.



## Ghana

### OVERVIEW

Ghana continues to make progress strengthening its AML/CFT laws in line with international standards and is working to implement its AML/CFT regime across all sectors and institutions. Ghana is continuing to consolidate its banking and financial sectors, with new capital requirements reducing the number of banks operating in the country. This consolidation, along with an incremental but positive trajectory of improved banking supervision, should aid authorities in prioritizing the allocation of resources.

In September 2019, Ghana developed a National AML/CFT Policy and Action Plan to address all the strategic deficiencies identified in its national risk assessment (NRA) and by international experts. The NRA was first published in April 2016 and reviewed in 2018. Ghana has also conducted a nationwide rollout of AML/CFT sensitization programs for NGOs to raise awareness of AML/CFT issues.

In 2019, Ghana's Financial Intelligence Center (FIC), the FIU, worked with international partners to conduct AML/CFT trainings for both government and private stakeholders. Ghana is developing a nationwide capacity-building workshop on AML/CFT and the proliferation of weapons of mass destruction for law enforcement agencies in several regions of the country.

NPOs and DNFBPs continue to represent the largest gaps in Ghana's AML regime, both in terms of the legal framework and risk. To address these and other money laundering issues, the government of Ghana should continue to allocate adequate funding to fight money laundering, effectively implement relevant asset forfeiture laws and regulations, and sanction institutions that do not file STRs and CTRs, as required by Ghanaian law.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

Ghana is a cash-dominant economy, and bulk cash smuggling is the preferred money laundering scheme. Ghana has designated four FTZ areas, but only one is active. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods.

Ghanaian DNFBPs are vulnerable to money laundering. Major vulnerabilities are the lack of enforcement and ineffective adherence to CDD or KYC requirements by most DNFBPs. Additionally, Ghana lacks a robust risk assessment methodology for the DNFBP sector.

However, the government is working to address these vulnerabilities. Ghana is working toward, but has not finalized, sector-specific AML guidelines.

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

Ghana's principal AML legislation is the Anti-Money Laundering Act, 2008, as amended in 2014. AML guidelines were revised in January 2018.

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

Ghana and the United States do not have a MLAT, but records can be exchanged through multilateral conventions with provisions for cooperation in criminal matters. Moreover, mutual legal assistance can be provided on a reciprocal basis through letters of request.

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

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

Banks and insurance companies are required to identify high-risk clients such as PEPs, but there is a lack of effective identification and monitoring of PEPs and their associates.

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

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

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

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

Ghana conducted risk assessments of legal persons and arrangements and NGOs in 2019. In 2019, the FIC conducted a nationwide training session targeting DNFBPs to raise awareness of their AML/CFT requirements. The FIC also trained the Forex Bureau stakeholders on their responsibilities, including reporting illegal forex trading and other fraudulent activities. The FIC trained financial institutions, including banks, savings and loan companies, market operators, and

mobile money operators on current money laundering and terrorist financing trends to raise awareness and reporting to the FIC.

Ghana continues to work toward compliance with international AML/CFT standards, and there are no known refusals to cooperate with the United States or other governments on money laundering issues. Several agencies maintain combined statistics on convictions; separate data on money laundering convictions is not readily available.

## Guatemala

### OVERVIEW

Guatemala remains a key transit route for narcotics to the United States and cash returning to South America. The government has challenges combating corruption, money laundering and financial crimes related to narcotics trafficking. With the support of the International Commission Against Impunity in Guatemala (CICIG), Guatemala improved its ability to investigate and prosecute corruption, money laundering, and other financial crimes. Though the Public Ministry (MP) has improved coordination between prosecutors and law enforcement agencies to conduct financial investigations and consider money laundering charges when investigating predicate offenses such as extortion, corruption, and trafficking investigations, more progress is needed. CICIG's departure from Guatemala in September 2019 puts anticorruption gains at risk, given the weakness of Guatemalan institutions, and the influence narco-traffickers have over elected officials.

Guatemala should continue to develop its capacity to conduct financial crime investigations by improving communication and coordination among the Guatemalan Special Verification Agency (IVE), Guatemala's FIU; the National Civil Police (PNC) Financial Investigation Unit; and the MP. Additionally, Guatemala should institutionalize coordination between the MP and the National Secretariat for Administration of Forfeited Property (SENABED) (the entity that manages seized assets), provide greater autonomy to SENABED, and increase staffing of key agencies.

In order to maximize effectiveness and decrease inefficiencies in its AML regime, Guatemala should increase budgetary support for the MP, in particular the Special Prosecutor's Office Against Impunity, to strengthen anticorruption efforts, and address the systemic weaknesses that allow for pervasive corruption within Guatemala's institutions. Strong anticorruption mechanisms are needed to root out corrupt actors and hold them to account.

### VULNERABILITIES AND EXPECTED TYPOLOGIES

Narcotics trafficking, institutional corruption, tax evasion, extortion, human trafficking, and commerce in illicit goods are the main sources of illicit funds in Guatemala. There is no enforcement presence at over 120 "blind passage" border crossing roads that facilitate trafficking of goods, drugs, and people. Money is often laundered through transactions below the \$10,000 reporting requirement, either through small banks along the Guatemala-Mexico border or by

travelers carrying cash to other countries. Guatemala does not prohibit structuring of deposits to avoid reporting requirements.

Money is also commonly laundered through real estate transactions, ranching, the gaming industry, and various categories of “offshore” banks, including some where money is deemed deposited in the foreign country where the bank is headquartered. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of their citizens across their borders without cash declaration requirements.

Casinos and games of chance operate both on and offshore and are currently unregulated.

Guatemala has 12 active FTZs, mainly used to import duty-free materials and goods used in the manufacture of products and/or provision of services for exportation. There are no known allegations that FTZs are hubs of money laundering or drug trafficking activity.

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

Despite an adequate AML legal framework, a lack of coordination between agencies and institutions, coupled with limited human resources, have led to less than optimal application of KYC and STR regulations. However, most money laundering cases prosecuted by the MP begin with bank-generated SARs filed with the IVE, which in turn refers them to the MP. Financial intelligence is generally used effectively to support or initiate investigations.

Guatemala and the United States do not have a MLAT and use other mechanisms such as multilateral treaties to exchange relevant information.

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

### **AML DEFICIENCIES**

Despite Guatemala’s improved AML legal framework and efforts to require due diligence for transactions and accounts linked to PEPs, specific deficiencies remain. DNFBPs, such as attorneys, notaries, casinos, and video lotteries, have been identified as posing high risk for money laundering. While there is proposed legislation to regulate DNFBPs for AML/CFT purposes, it has been pending in congress for many years.

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

Although Guatemala’s legal framework and the IVE and MP’s enhanced investigative abilities have improved the AML enforcement picture, implementation is inhibited by procedural inefficiencies, staffing shortages, and ongoing lack of collaboration among relevant offices and prosecutors based on lack of trust due to widespread corruption.

From January 1 through November 6, 2019, the MP office in charge of money laundering prosecutions received 248 complaints, filed charges in 179 cases, and obtained 87 convictions.

Guatemalan authorities and agencies increasingly conduct competent investigations of financial crimes and have produced several high-profile successes in 2019. A Guatemalan Court convicted 13 people, for up to 38 years in prison, including former congressman Jaime Martínez Loyza and Edgar “Chico Dollar” Morales Guerra, the leader of a money laundering operation that financed political campaigns.

In another investigation, a Guatemalan anticorruption court convicted 18 people for corruption in the Municipality of Antigua, including the former mayor of Antigua, Adolfo Vivar. Vivar was found guilty of money laundering and fined more than \$1.7 million.

As part of the internal purging of the MP, in a case coordinated with the PNC, two MP officials were arrested by the AML prosecutorial office and the criminal analysis department on October 13, 2019. The accused accepted an envelope with over \$10,000, allegedly in exchange for not processing an arrest warrant in a money laundering investigation.

## **Guyana**

### **OVERVIEW**

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

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

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

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

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

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

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

Guyana has strong legislation relating to money laundering and terrorist financing. The Government of Guyana's Anti-Money Laundering and Countering the Financing of Terrorism Act 2009, Interception of Communications Act 2008, and Criminal Law Procedure Act serve as its primary AML legislative regime. The State Assets Recovery Act of 2017, Protected Disclosures Act of 2018, and the National Payments Systems Act of 2018 bolster Guyana's AML legislative response.

Guyana has comprehensive KYC and STR regulations. Its AML legislation covers legal persons and provides enhanced due diligence for PEPs. There are also records exchange mechanisms in place with the United States and other governments.

Guyana sought to strengthen its institutional response to money laundering through training and capacity building. The government trained financial-sector personnel and legal officers on AML best practices. The Bank of Guyana (BOG), Guyana Securities Council, Guyana Gaming Authority, and Guyana Revenue Authority (GRA) conducted several onsite scheduled inspections of financial entities to identify areas for improvement.

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

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

Guyana lacks standardized provisions for secure electronic communications and transactions. The government also lacks a national strategic plan for combatting money laundering and terrorist financing. The government reported it has a draft Electronic Communications and Transaction Bill and a draft AML/CFT National Strategic Plan but did not report when these would be finalized.

Guyana's FIU applied for Egmont Group membership in 2011 but its application is still pending. Guyana previously satisfied some of the Egmont Group's criteria and received two new sponsors. However, Guyana has yet to comply fully with the Egmont Group's recommended changes to its Anti-Money Laundering and Countering the Financing of Terrorism Act 2009.

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

The major agencies involved in anti-drug and AML efforts are the Guyana Police Force (GPF), GRA, Customs Anti-Narcotics Unit (CANU), Special Organized Crimes Unit (SOCU), BOG, the FIU within the Ministry of Finance, State Asset Recovery Agency (SARA), and National Anti-Narcotic Agency (NANA).

The FIU initiates investigations by referring cases to SOCU and SARA. The FIU submitted 27 STRs in 2019. SOCU and SARA launched investigations into these and other reports of suspicious transactions, but there have been no convictions to date. The government reports non-cooperation by stakeholders with SOCU, as well as corruption and lack of capacity within SOCU hinder its prosecutorial success.

Guyana has shown strong political will to combat money laundering and has made progress on the AML/CFT front. The government still needs to increase its training for the judiciary on matters pertaining to the investigation and prosecution of financial crimes. A national strategic plan for combatting money laundering should be developed and implemented, and legislation passed for the facilitation and regulation of secure electronic communications and transactions. Reporting and investigating entities should improve their interagency coordination, and the GRA should report suspicious transactions to SOCU and SARA.

## Haiti

### OVERVIEW

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

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Most of the identified money laundering schemes involve significant amounts of U.S. currency held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A great majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud. Foreign currencies represent approximately 63 percent of Haiti's bank deposits.

Haiti has nine operational FTZs. FTZs are licensed and regulated by the Free Zones National Council, a public-private enterprise. It is unknown if FTZs are subject to AML obligations.

Haiti has 157 licensed casinos and many unlicensed casinos. Gaming entities are subject to AML requirements. Haiti also has established the Haitian State Lottery under the auspices of the Ministry of Economy and Finance. Online gaming is illegal.

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## **KEY AML LAWS AND REGULATIONS**

Amendments in 2016 further strengthened Haiti's 2013 AML legislation. In 2014, the Executive signed a long-delayed anticorruption bill. In 2017, the government adopted a law restructuring the Central Financial Intelligence Unit (UCREF), the FIU.

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

## **AML DEFICIENCIES**

The weaknesses of the Haitian judicial system and prosecutorial mechanisms continue to leave the country vulnerable to corruption and money laundering. The government remains hampered by ineffective and outdated criminal codes and criminal procedural codes, and by the inability or unwillingness of judges and courts to address cases referred for prosecution. Proposed criminal codes and criminal procedural codes that would address deficiencies were drafted in 2016 but have not been considered by the national assembly.

The amended AML/CFT law, despite strengthening the AML regulatory framework, undermines the independence and effectiveness of Haiti's FIU. The UCREF is not a member of the Egmont Group, but is currently working with sponsors and applying for membership.

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

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

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

Haiti's 2014 anticorruption law is not being effectively implemented, as evidenced by frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the executive, and the failure of judges to follow through by investigating, scheduling, and referring cases to prosecutors.

The UCREF is a relatively weak institution with little law enforcement impact. The UCREF rarely follows up with the prosecutor's office regarding its referrals. The May 2017 UCREF law moved the UCREF under the control of the executive branch, thereby reducing the UCREF's independence. The UCREF forwarded six cases to the judiciary in 2018, and only three cases in 2019. There were no convictions or prosecutions for money laundering in 2019.

The Haitian National Police financial crimes unit (BAFE) is understaffed and under-resourced. It has limited interaction with the UCREF. Similar to the UCREF, the BAFE does not



systematically follow up with the prosecutor's office regarding cases. Haiti's prosecutors and judges have limited experience with financial crimes cases.

The government should continue to devote resources to building an effective AML regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system.

## Honduras

### OVERVIEW

Money laundering in Honduras stems primarily from narcotics trafficking by organized criminal groups and the illicit proceeds of public corruption. Honduras is not a regional or offshore financial center.

Honduras has not completely implemented its 2015 AML or DNFBP laws, but in 2019 established an AML strategy and focused on high-priority offenses, such as money laundering linked to organized crime.

Lack of institutional coordination limits the operation of the AML regulatory system, and the Tax Administration Service was the only Honduran agency with an active AML unit that meets Honduran legal requirements.

The general lack of investigative capacity regarding complex financial transactions contributes to a favorable money laundering climate. However, Honduras has been able to achieve some results in money laundering and corruption cases and has sought international cooperation.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering in Honduras derives from domestic and foreign criminal activity. Local drug trafficking organizations and organized crime syndicates control most illicit proceeds, which pass through both the formal banking system and the underground economy. Trade-based businesses commonly used to launder funds include automobile and real estate sectors, remittance companies, currency exchange houses, credit unions, the construction sector, and cattle ranching in remote areas of Honduras.

A regional treaty between El Salvador, Guatemala, Honduras, and Nicaragua allow free movement of citizens between these countries leaving each country vulnerable to the cross-border movement of contraband and cash.

### KEY AML LAWS AND REGULATIONS

Honduras established a comprehensive national AML/CFT strategy in 2019. Honduras has KYC and STR regulations, but additional procedures are necessary for full implementation of the 2015 AML law.

Currently, there is no bilateral treaty between Honduras and the United States that allows for exchange of records, but Honduran authorities have allowed for records and information exchange under the terms of relevant UN Conventions that establish the process of mutual legal assistance to facilitate operational or investigative support between signatory countries. When not requested through an official mutual legal assistance request, records and other documents are provided through U.S. law enforcement agencies in Honduras that can testify under the Federal Rules of Evidence as to their personal knowledge of how the records were obtained.

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

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

Honduras's AML national risk assessment (NRA) results are not fully reflected in the allocation of resources or in the supervisory policies and procedures. Honduras is taking steps to implement a risk-based approach, although the NRA is not public and outreach to DNFBPs remains necessary. The Honduran financial system suspends individuals under investigation and limits their access to the banking system, but poor information flow between the Public Ministry (PM) and the FIU has left cleared individuals on the financial risk list unnecessarily.

Bearer shares are legal and there is no access to quality beneficial ownership information for Honduran companies.

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

FIU staff and PM financial analysts require training on financial institution products, international standards, financial analysis, report writing, relevant Honduran laws, and STR and CTR analysis. The FIU needs to develop feedback mechanisms to improve the quality of filed reports.

Although the Public Records Office has initiated file digitalization at a national level, most public property records remain in hard copy and poorly organized, impeding effective investigation.

The disconnect between the judicial branch, regulatory agencies, and the PM regarding the application of money laundering and asset forfeiture statutes has a negative impact on investigations. The PM and other law enforcement agencies often execute warrants before financial investigations can be completed and seize assets with tax liens before determining if other charges are applicable.

The Honduran National Congress (HNC) amended the Asset Forfeiture Law (AFL), but the amendment did not address known deficiencies and made it easier for public officials to avoid seizure, jeopardizing law enforcement's use of forfeiture in organized crime and money laundering investigations. President Hernandez vetoed the amendment. In September 2018, the Interagency Commission for Criminal Justice issued an opinion stating Honduran law

enforcement entities have misinterpreted the legal concept of freezing and seizing assets. The proposed AFL remains with the HNC without progress in 2019.

FIU leadership may not be operating in a transparent manner. Financial information is at times shared with individuals and entities not authorized by law to receive it or without required subpoenas. The FIU currently serves as a middleman between the PM and financial institutions instead of preparing financial analyses and identifying emerging money laundering trends and typologies.

Persons linked to Honduran public officials have been convicted in the United States in recent years, including President Hernandez' brother and former president Lobo's son (drug trafficking), the former minister of social services' brother (money laundering linked to bribery). Corruption within Honduran law enforcement remains a concern.

## Hong Kong

### OVERVIEW

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is an international financial and trading center. The world's sixth-largest banking center in terms of external transactions and the fourth-largest foreign exchange trading center, Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes and has its own U.S. dollar interbank clearing system for settling transactions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including TBML and underground finance. Hong Kong shell companies can be exploited to launder money, facilitate illicit trade, and gain access to the international financial system.

Government of Hong Kong officials indicate the primary sources of laundered funds are from local and overseas criminal activity, fraud and financial crimes, illegal gaming, loan sharking, smuggling, and vice. Groups involved in money laundering range from local street organizations to sophisticated international syndicates involved in assorted criminal activities, including drug trafficking. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club, a non-profit that collaborates with law enforcement to disrupt illegal gaming outlets.

### KEY AML LAWS AND REGULATIONS

Hong Kong has AML legislation allowing the tracing and confiscation of proceeds derived from drug-trafficking (Drug Trafficking (Recovery of Proceeds) Ordinance) and organized crime (Organized and Serious Crimes Ordinance). These ordinances improve authorities' capabilities

to detect and identify criminals, including drug traffickers, using Hong Kong financial institutions to launder or retain illicit profits. Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) details authorized institutions' compliance obligations regarding legal and supervisory requirements.

Under the AMLO, where payment-related information is exchanged or intended to be exchanged, authorized institutions must carry out CDD procedures. STRs must be filed in a timely manner with Hong Kong's Joint Financial Intelligence Unit (JFIU), which is jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department (CED). The AMLO requires DNFBPs to abide by the same set of CDD and record-keeping requirements as covered financial institutions. Hong Kong's Companies Ordinance (CO) further requires trust and company service providers to pass a fit and proper test and obtain a license from the Companies Registry. The CO also requires companies incorporated in Hong Kong to maintain beneficial ownership information.

The Hong Kong government implemented in 2018 a declaration and disclosure system to detect the movement of large quantities of physical currency and bearer negotiable instruments (CBNIs) valued over approximately U.S. \$15,400 (120,000 Hong Kong dollars) into and out of the city. An advance declaration must be made to the CED for cargo consignments importing or exporting large quantities of CBNIs.

Hong Kong is a member of the FATF and the APG, a FATF-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hong-kong-2019.html>.

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

In view of significant cross-border flows of trade, finance, and banking activities, Hong Kong regulatory authorities should ensure strong cooperation with other jurisdictions in cases in which predicate offenses, such as tax evasion or corruption, do not originate in Hong Kong.

Some supervisors and self-regulatory bodies, particularly those overseeing DNFBPs, need to strengthen their understanding of AML risk, develop a risk-based approach, and enhance their supervisory and enforcement actions. Overall, limited sanctions have been applied against some sectors, including moneylenders. Dealers in precious metals and stones and financial leasing companies are not regulated for AML/CFT purposes.

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

Financial regulators have conducted outreach to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the AMLO. However, Hong Kong has a low number of prosecutions and convictions compared to the number of cases investigated.

The United States and Hong Kong are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in

Criminal Affairs, which entered into force in 2000. The 1988 UN Drug Convention was extended to Hong Kong in 1997, and the UNCAC and the UNTOC were extended to Hong Kong in 2006.

From January 1 through September 30, 2019, the JFIU received a total of 37,816 STRs and there were 83 money laundering convictions.

## India

### OVERVIEW

Indian Prime Minister Narendra Modi has prioritized curtailing illicit financial activity as part of his administration's efforts to formalize and digitize India's financial system to reduce corruption and increase the tax base. Nonetheless, India faces various money laundering vulnerabilities, including informal financing networks that largely serve illiterate, rural citizens; complex onshore and offshore corporate structures; and enforcement capacity constraints.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Laundered funds are derived from tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade. The most common money laundering methods include intermingling criminal proceeds with licit assets, purchasing bank checks with cash, routing funds through employees' accounts, and complex legal structures. Transnational criminal organizations use offshore corporations and TBML to disguise the criminal origins of funds, and companies use TBML to evade capital controls. Illicit funds are laundered through real estate transactions, as well as gold purchases, charities, election campaigns, and educational programs. Informal remittance systems are used extensively in India to evade transaction charges and to conduct both legitimate remittances and money laundering.

As of September 30, 2019, India had approved 417 Special Economic Zones (SEZs), 238 of which are operational. India has licensed eight offshore banking units to operate in the SEZs.

### KEY AML LAWS AND REGULATIONS

The Prevention of Money Laundering Act, 2002 (PMLA) and the rules by regulators Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) establish the broad framework for prosecution of money laundering in India. In July 2019, the government introduced eight amendments to PMLA, broadening the definition of "proceeds of crime." Since being enacted in 2018, the Real Estate Regulatory Authority Act also ensures a transparent environment for consumers, credible transactions, and the efficient and timely execution of projects in the real estate sector.

India has comprehensive KYC and STR requirements and uses enhanced due diligence for PEPs. Legal persons in India are covered by criminal and civil laws against money laundering.

In September 2018, the Indian Supreme Court struck down the mandatory use of Aadhaar, India's universal digital identity system, to open bank accounts, but upheld the requirement to link the Aadhaar number to the national tax identity number. In July 2019, the Indian Parliament passed the AADHAAR and Other Laws (amendment) Bill to allow voluntary use of Aadhaar as proof of identity for opening bank accounts and procuring a mobile phone, as an alternative to passports or other documents recognized by the central government. Banks must check the original identifications for large cash transactions.

SEBI published a revised guidance note on July 5, 2019, to clarify the prohibition of insider trading regarding requirements to maintain a structured digital database of persons and entities with whom unpublished price-sensitive information is shared.

Financial institutions regulated by RBI are not permitted to engage in virtual currency transactions, but peer-to-peer transactions are legal. A Finance Ministry committee submitted its report to establish a virtual currencies regulatory framework in June 2019. The draft Banning of Cryptocurrency and Regulation of Official Digital Currency Bill 2019, which has not yet been presented in parliament, calls for hefty fines and up to 10 years' imprisonment for anyone holding, selling, or dealing in crypto-currencies.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. India's most recent MER is available at: <http://www.fatf-gafi.org/countries/d-i/india/documents/mutualevaluationofindia.html>.

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

India's current safe harbor provision protects principal officers and compliance officers of institutions that file STRs in good faith but does not protect all employees.

The government prioritizes crimes of tax evasion and counterfeit currency, while money laundering and terrorist financing are lower priorities. India is not subject to U.S. sanctions or penalties, although some Indian banks are currently being penalized for illegal activities of their branches.

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

India has taken steps to implement an effective AML regime, but deficiencies remain. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Authorities believe India has insufficient investigators to analyze the enormous amount of potential money laundering data that was obtained during demonetization.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with 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 demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges that limit its ability to provide assistance.

India should address noted shortcomings in the criminalization of money laundering and its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations. India should extend its safe harbor provision to cover all bank employees. The government of India should use data and analytics to systematically detect trade anomalies that could indicate customs fraud, TBML, and counter-valuation in informal financial networks.

## Indonesia

### OVERVIEW

Indonesia remains vulnerable to money laundering due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and partially ineffective law enforcement institutions. Risks also stem from corruption and taxation cases, followed by drug trafficking, and to a lesser extent illegal logging, wildlife trafficking, theft, bank fraud, embezzlement, credit card fraud, and the sale of counterfeit goods. Proceeds from these predicate crimes are laundered through the banking, capital markets, real estate, and motor vehicle sectors. Proceeds are also laundered offshore in regional jurisdictions and then repatriated to Indonesia as needed.

Indonesia is making progress to counter vulnerabilities as authorities continue to release regulations geared towards a risk-based approach and there is, generally, a high level of technical compliance with AML standards. Only moderate improvements are needed on awareness and coordination between the government and financial sector. Areas for improvement remain analytical training for law enforcement, raising judicial authorities' awareness of relevant offenses, increasing technical capacity to conduct financial investigations as a routine component of criminal cases, and more education for financial services sector personnel.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Indonesia is vulnerable to the smuggling of illicit goods and bulk cash, made easier by poorly controlled coastlines, lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated for commercial and personal use. Endemic corruption remains a concern.

FTZs are not a major concern. Indonesia offers many opportunities for narcotics smuggling and cross-border transfer of illegally earned cash without needing to rely on FTZs.

Indonesia has bolstered cooperation regionally to disrupt terrorist networks, and related financial flows are shifting toward greater use of informal channels. The trend is financing smaller terrorism attacks through use of domestic contributions requested and made through social media and NPOs. These networks are also increasingly using sophisticated efforts to avoid monitoring

and detection of communications, with more use of couriers to pass information and the use of anonymous messaging systems.

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

KYC requirements have been part of Indonesia's AML regime since 2001. PEPs are subject to enhanced due diligence.

In January 2012, the Indonesian government established an interagency National Coordinating Committee on the Prevention and Combating of Money Laundering to coordinate Indonesia's AML efforts. Indonesia's Financial Transaction Reports and Analysis Center (PPATK), the FIU, coordinates Indonesia's AML efforts.

In May 2017, Indonesia issued an executive order that permits Indonesian tax authorities to access financial accountholder data without a court order. It gives Indonesian authorities legal cover to exchange accountholder data under the OECD's Global Forum Automatic Exchange of Information; exchange of information between relevant jurisdictions.

Indonesia is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>

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

The primary factors hindering the fight against narcotics-related money laundering are the lack of analytical training for law enforcement personnel and insufficient training on money laundering detection and reporting for lower-level workers in the financial services sector.

Since most money laundering in Indonesia stems directly from corruption cases, there is concern that recent legal revisions to the Corruption Eradication Commission Law undermine the commission's independence and its ability to investigate corruption cases, potentially leading to money laundering risks.

While Indonesia has made progress in addressing major technical deficiencies related to financial sanctions (e.g. UNSCRs 1267 and 1373), issues remain such as Indonesian's failure to implement UN listings without delay, and the lack of a clear prohibition on providing funds or financial services to designated persons.

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

In 2015, Indonesia conducted a national money laundering/terrorist financing risk assessment and is taking steps to implement applicable agreements and conventions. Combating narcotics abuse is a priority for the current administration, and Indonesia recognizes the need for international cooperation to stem this transnational threat.

PPATK invites the public to report any suspicious transactions. PPATK publishes a monthly report summarizing reporting activity. In addition to CTR and STR data, PPATK and the



Ministry of Finance's Directorate General of Customs and Excise jointly publish a Cash Carry Report to track physical cross-border transfers of cash. For the period January-June 2019, PPATK referred 248 Results of Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators – a 23 percent increase year over year. Most were alleged corruption cases. For the period January-June 2019, PPATK produced 12 Examination Reports, a 100 percent increase year on year.

There were three money laundering convictions between January-June 2019. Indonesia lacks sufficient procedures to collect high-quality conviction statistics; therefore, this figure may not capture all convictions.

## Iran

### OVERVIEW

Iran has a large underground economy, spurred in part by uneven taxation, widespread Islamic Revolutionary Guard Corps (IRGC) corruption and smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. Pervasive corruption continues within Iran's ruling and religious elite, the IRGC, government ministries, and government-controlled business enterprises.

Iran remains a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. Most drugs are smuggled into Iran across its land borders with Afghanistan and Pakistan, although maritime smuggling has increased as traffickers seek to avoid Iranian border interdiction efforts. In 2015, Iran's minister of interior estimated the combined value of narcotics trafficking and sales in Iran at \$6 billion annually.

In 2011, the U.S. government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. On October 25, 2019, the U.S. government issued a final rule under this authority prohibiting the opening or maintaining of a correspondent account in the United States for, or on behalf of, an Iranian financial institution. The rule also prohibits foreign financial institutions' correspondent accounts at covered U.S. financial institutions from processing transactions involving Iranian financial institutions. Additionally, the FATF has repeatedly warned of the terrorist financing risk Iran poses and the resulting threat to the international financial system. In June 2016, Iran agreed to implement an action plan to address its AML/CFT strategic deficiencies. Iran's action plan expired in January 2018, and as of October 2019, Iran had not completed the action plan. At the October 2019 FATF plenary, the FATF called upon FATF members and jurisdictions to apply certain countermeasures to protect the international financial system from abuse.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Iran's merchant community makes active use of MVTs, including hawaladars and moneylenders. Leveraging the worldwide hawala network, Iranians make money transfers

globally. Trade often provides counter-valuation in hawala transactions; TBML is therefore a prevalent form of money laundering.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. In April 2019, the Department of State designated Iran's IRGC as a foreign terrorist organization.

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

Iran has criminalized money laundering, adopted KYC and STR requirements, and established a cash declaration regime for cross-border transportation of currency.

Iran is not a member of a FATF-style regional body, but it is an observer to the EAG. Its FIU is not a member of the Egmont Group.

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

In 2007, the FATF issued its first Public Statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect the international financial system from the money laundering/terrorist financing risks emanating from Iran. In 2016, Iran made a high-level commitment to implement an action plan to address strategic AML/CFT deficiencies. As a result, the FATF suspended its call for countermeasures for 12 months; this suspension was extended multiple times. Despite its commitment to the FATF, Iran did not meet the requirements of its action plan.

In October 2019, the FATF noted Iran should fully address the following action plan items: adequately criminalize terrorist financing, including by removing the exemption for designated groups; identify and freeze terrorist assets in line with relevant UNSCRs; ensure an adequate and enforceable CDD regime; clarify the submission of STRs for attempted terrorist financing-related transactions are covered under Iran's legal framework; demonstrate how authorities are identifying and sanctioning unlicensed MVTs providers; ratify and implement the UNTOC and Terrorist Financing Convention and clarify the capability to provide mutual legal assistance; and ensure financial institutions verify wire transfers contain complete originator and beneficiary information.

As of year end 2019, the Iranian parliament continues to consider several pieces of legislation intended to facilitate adherence to the action plan, but the Iranian government remains internally divided about these measures.

There are significant deficiencies in Iran's KYC procedures; furthermore, the STR requirement only applies to banks, and the requirements to file STRs for terrorist financing differ.

Iran is not a party to the UNTOC.

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

For more than two decades, the United States has undertaken targeted financial actions through statutes and more than a dozen against key Iranian financial institutions, other entities, and individuals.

Iran has an asset forfeiture system, but it is not fully compliant with international standards. Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

On November 5, 2018, the United States re-imposed all U.S. nuclear-related sanctions against Iran. The sanctions target critical sectors of Iran's economy and certain transactions involving insurance providers, the Central Bank of Iran, and other designated Iranian financial institutions. These include sanctions authorities with respect to certain transactions between foreign financial institutions and the central bank or designated Iranian financial institutions and on the provision of specialized financial messaging services to the central bank and specified Iranian financial institutions. Also on November 5, 2018, OFAC placed more than 700 individuals, entities, aircraft, and vessels on the list of Specially Designated Nationals and Blocked Persons.

## **Italy**

### **OVERVIEW**

Italy's economy is the ninth largest in the world and the third-largest in the Eurozone. Italy has a sophisticated AML regime and legal framework, but a continued risk of money laundering stems from activities of organized crime and the large, black market economy. According to the Italian National Statistics Institute, the black market economy accounts for 12.1 percent of GDP, or approximately \$235 billion (€211 billion). Tax crimes also represent a significant risk and have been identified as accounting for 75 percent of all proceeds-generating crime in Italy.

While on the rise, CDD and suspicious transaction reporting remain weak among non-financial sectors, and regulations are inconsistent. In early 2019 the government published Regulation n. 44 to implement new provisions on AML/CFT organization, procedures, internal controls, and CDD. The new regulations align with EU efforts and require online entities to adopt controls and procedures.

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

Drug trafficking is a primary source of income for Italy's organized crime groups, which exploit Italy's strategic geographic location to do business with foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax (VAT) fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gaming, illegally disposing of hazardous waste, and loan sharking. In 2019, the Bank of Italy's (BOI) Financial Intelligence Unit (UIF) identified

domestic and foreign real estate transactions, money transfers, small cash businesses, private banking, gambling, the art trade, and NPOs as the primary avenues for money laundering.

Italian authorities observed a trend of abnormal cash flows related to the import of textiles from China. They attribute these abnormalities to the under-invoicing of goods imported from China. Italian companies submit a fraudulently reduced customs declaration of the taxable value to evade the VAT and duties. Italian suppliers pay the difference owed to Chinese companies by sending cash to China using systems less easily traceable than traditional banking channels, such as structured money transfers, to avoid regulatory detection.

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

The Ministry of Economy and Finance is host to the Financial Security Directorate, which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's national risk assessment (NRA) in 2014. The BOI continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies. In early 2019, the Italian Institute for Insurance Supervision published Regulation n. 44, requiring online entities to adopt controls and procedures set by the regulation.

Italy seeks to implement revisions to its AML policies in accordance with the EU's Fourth AML Directive that Italy transposed into law in 2017. In response to the continuing challenges of money laundering, the Italian government enacted a decree law on October 3, 2019 seeking to clarify virtual currency treatment under AML statutes, further empower law enforcement authorities investigating money laundering, and impose additional CDD obligations on financial intermediaries. Financial penalties assessed by Italian financial sector supervisors against legal and natural persons for AML breaches have been increased to be more dissuasive.

Italy has a MLAT with the United States and is party to the U.S.-EU MLAT.

Italy is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Italy-2016.pdf>.

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

Regulations require financial institutions to apply enhanced CDD measures in transactions with both domestic and foreign PEPs. However, DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs. DNFBPs also are not legally required to file a STR when the beneficial owner is not identified in a business transaction. The government plans to continue to implement measures to significantly increase the number of STRs from DNFBPs.

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

The criminalization of self-money laundering increased the severity of convictions for these crimes and acted as a deterrent to some extent. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there continue to be numerous repeat offenders.

The UIF is the government's main body for collecting data on financial flows. In November 2018, the UIF expanded the use of its information-sharing database, which allows more fluid and automated information exchanges with judicial authorities and quicker access to underlying transaction data. The UIF utilizes several data management and analysis programs to filter collected information to identify patterns and suspicious transactions. The UIF is in the process of developing, in collaboration with the BOI, artificial intelligence detection of suspicious transactions. Money laundering statistics show the number of STRs increased 4-5 percent in 2018 over 2017, but were still below the high level reported in 2016. Through amendments to the main AML law, Italy recently expanded its STR reporting obligation to cover suspicions related to all money laundering predicate offenses.

The UIF also sought to develop programs to counter money laundering via virtual assets and financial technologies. Italian authorities have strong policy cooperation and coordination, and Italy continues to develop national AML policies informed by the NRA. Law enforcement agencies have been successful in undertaking complex financial investigations and prosecutions and have confiscated large amounts of criminal proceeds. The UIF can now access, with conditions, law enforcement information about investigative subjects, which should increase utility for law enforcement users of the UIF's products.

## **Jamaica**

### **OVERVIEW**

Money laundering in Jamaica is largely perpetrated by organized criminal groups, including some with links to powerful Jamaicans. In 2019, the country recorded a large number of financial crimes related to advance fee fraud (lottery scams), corruption, counterfeit goods, small arms trafficking, and cybercrime.

The Government of Jamaica has enforced the asset forfeiture provisions of the Proceeds of Crime Act (POCA) with moderate success, but the law still is not being implemented to its fullest potential due to difficulties prosecuting and achieving convictions in financial crime cases. Law enforcement, prosecutors, and the judiciary lack sufficient resources and training to investigate and prosecute financial crimes efficiently and effectively.

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

Political and public corruption both generate and facilitate illicit funds and activity. Money laundering in Jamaica is primarily related to proceeds from illegal narcotics, weapons trafficking, financial fraud schemes, corruption, and extortion. The activities are largely perpetrated by violent, organized criminal groups, some associated with powerful and influential Jamaicans. A large number of the financial crimes related to cybercrime and financial fraud schemes target U.S. citizens. There is also significant illicit trade of small arms and narcotics to and from Jamaica, the United States, and Haiti, which generate large amounts of illicit wealth in Jamaica.

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## **KEY AML LAWS AND REGULATIONS**

In October 2019, the government tabled in parliament the Proceeds of Crime (Amendment) Act 2019, the Terrorism Prevention (Amendment) and United Nations Security Resolution Implementation (Amendment) Acts 2019. This was followed by the tabling of Regulations for POCA in November 2019. The amendments were largely a response to international experts' recommendations.

The POCA permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. The act allows the court to order post-conviction forfeiture of proceeds assessed to have been received by the convicted party within six years preceding the conviction. The confiscation provisions apply to all property or assets associated with or derived from any criminal activity, including legitimate businesses used to launder illicitly derived money. Jamaica's Financial Investigations Division (FID), which includes the FIU, continues to work with partners in the Jamaica Constabulary Force (JCF) and others to pursue cases that could result in seizure of assets.

The Banking Services Act allows for stronger enforcement powers and greater information sharing among the Bank of Jamaica, the Financial Services Commission, and foreign counterparts. A number of DNFBPs, such as real estate dealers, accountants, gaming establishments, and casinos, are subject to AML preventative measures.

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

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

Lengthy delays in investigating and prosecuting cases hinder the effectiveness of the Jamaican judicial system. As a result, money laundering cases are hampered by the general backlog of criminal cases in the courts. The Jamaican courts and prosecutors have been unable to keep pace with an increase in crime.

Law enforcement and prosecutors tend to pursue predicate offenses to money laundering, rather than pursuing money laundering as a stand-alone offense, due to the necessity of proving the unlawful conduct from which the laundering activity derives. In cases where money laundering offenses are investigated and charged in conjunction with a predicate offense, prosecutors sometimes dismiss the money laundering charges to secure a guilty plea from the defendant.

To date, the regulatory agencies have not used their enforcement authority to sanction reporting entities for identified violations of AML/CFT regulations.

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

Jamaica is currently pursuing several legislative reforms to address noted deficiencies. Financial institutions (including money remitters and exchanges) are subject to a range of preventative

measures. These entities file an inordinately high volume of STRs annually, the vast majority of which are likely defensive filings. The FID continues to conduct programs to sensitize the public about POCA provisions.

For calendar year 2018, there were 20 prosecutions and six convictions related to money laundering. Jamaica continues to extradite lotto scammer money launderers. In 2018, the FID imposed forfeitures totaling approximately U.S. \$1.2 million in cash and other assets, while freezing approximately U.S. \$1.095 million in cash and assets. By comparison, in 2017, the FID forfeited approximately U.S. \$648,800 in cash and other assets, while restraining approximately U.S. \$2.63 million in cash and assets.

In a major court ruling in May 2018, the FID was successful in the forfeiture of U.S. \$485,000 from two South African cash couriers who transported the cash into Jamaica via a circuitous route from Asia for alleged narcotics activities.

In 2019, Jamaican authorities also obtained penalty orders against drug traffickers and dealers of approximately U.S. \$245,900; against a corrupt public official for approximately U.S. \$134,000, and against a trader in counterfeit goods for approximately U.S. \$142,900.

Relevant authorities collaborate on investigations and prosecutions in major cases. Authorities also regularly collaborate with foreign law enforcement on cases of mutual interest, and there are a number of joint initiatives to deal with such cases.

Jamaica's parliament passed legislation to remove the Major Organized Crime and Anti-Corruption Agency from under the auspices of the JCF and make it an independent agency. The implementing regulations are currently being drafted.

## **Kazakhstan**

### **OVERVIEW**

As a transit country for opiates and cannabis, and one susceptible to TBML, Kazakhstan remains vulnerable to financial crimes. Corruption is an enabler of money laundering.

In 2019, Kazakhstan completed its national risk assessment (NRA) to evaluate the exposure of its financial sector to money laundering. A follow-up action plan to the assessment makes proposals to bring Kazakhstan more into compliance with international AML standards.

Recent changes to the Committee for Financial Monitoring of the Ministry of Finance, the FIU, transformed the agency from an administrative department disseminating investigative leads to law enforcement to an agency that is both a financial intelligence gatherer and investigative body. The change may create difficulties retaining qualified staff and maintaining operational independence. Conversely, it could strengthen cooperation between analytical and investigative staff.

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## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Government corruption, organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. A significant part of Kazakhstan's wealth from minerals and oil is held in offshore accounts with little public scrutiny or accounting oversight.

The major sources of laundered proceeds are graft by public officials and fraudulent financial activity, particularly transactions using shell companies to launder funds returned in the form of foreign investments. In addition, the smuggling of contraband goods and fraudulent invoicing of imports and exports by businesses remain common practices.

Kazakhstan is a transit country for Afghan opiates and a source and destination country for cannabis and synthetic drugs, making it particularly vulnerable to drug-related money laundering. Informal remittance systems, such as hawala and QIWI Wallet, make tracking illicit drug proceeds difficult. The use of virtual currencies, online credit card fraud, and online casinos (illegal in Kazakhstan) are also difficult to investigate and prosecute because their use often originates beyond the nation's borders.

Casinos and slot machine parlors are located only in selected territories. The Ministry of Culture and Sport is responsible for the licensing and regulation of the gaming sector.

Kazakhstan's Astana International Financial Centre (AIFC), launched in July 2018, is designed to be a regional financial hub and offshore zone. It is supervised by the Astana Financial Services Authority and has a common law court system that operates outside of the Government of Kazakhstan's jurisdiction on matters for which AIFC has issued regulations. The AIFC court system uses Kazakhstani enforcement systems to back up its rulings. While the court considered five cases in 2019, only one (a small claims matter) was brought to conclusion. The enforcement mechanism appears to have worked as intended, but it remains untested in high-value, complex, or vigorously contested cases.

## **KEY AML LAWS AND REGULATIONS**

The 2009 AML/CFT Law (and amendments) create the legal framework for the country's AML regime. In 2019, Parliament began deliberations on changes to the law to address the findings of Kazakhstan's NRA, strengthen provisions to combat the financing of weapons of mass destruction, establish an asset forfeiture fund, and strengthen measures combatting terrorist financing.

Kazakhstan and the United States have a bilateral MLAT.

Kazakhstan has adequate due diligence and suspicious transaction regulations. While it collects beneficial owners' declarations, those records are not centralized.

Kazakhstan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf->



[gafi.org/publications/mutualevaluations/documents/mutualevaluationofkazakhstan.html](https://gafi.org/publications/mutualevaluations/documents/mutualevaluationofkazakhstan.html).

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

The government requires additional resources and political will to ensure the proper enforcement of its financial crimes' regulations. Current 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.

All reporting entities are subject to the AML/CFT audits by their respective regulatory agencies. However, most of those regulatory agencies lack the resources and expertise to inspect reporting entities for compliance. Regulatory agencies enforcing a risk-based AML/CFT approach in the non-bank financial sector should improve suspicious activity reporting.

There is no criminal or administrative liability for money laundering offenses for legal persons. Enhanced due diligence is required only for foreign PEPs, whereas domestic PEPs are not covered.

An amendment to Kazakhstan's Criminal Code that came into effect in January 2018 limits Kazakhstan's ability to confiscate all assets of a criminal defendant. The provision requires law enforcement agencies to prove that assets belonging to a convicted criminal were obtained using the proceeds of crime. Prior to the amendment all assets could be subject to mandatory confiscation.

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

No money laundering prosecution or conviction statistics are available for 2019. Historically, the number of money laundering investigations and prosecutions has been low.

Law enforcement should include parallel financial investigations with predicate criminal cases and strengthen interagency cooperation.

There is a two-tier AML/CFT Certification Program for private sector representatives that includes national and international components. Many banks have a certified compliance officer.

Kazakhstan may need the motivation provided by a peer review to make immediate and needed changes to laws and AML procedures in the country.

## **Kenya**

### **OVERVIEW**

Kenya remains vulnerable to money laundering, financial fraud, and terrorism financing. It is the financial hub of East Africa and is at the forefront of mobile banking. Money laundering occurs in the formal and informal sectors, deriving from domestic and foreign criminal

operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

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

Financial institutions engage in currency transactions connected to international narcotics trafficking, involving significant amounts of U.S. currency derived from illegal sales in the United States and Kenya.

Unregulated networks of hawaladars and other unlicensed remittance systems facilitate cash-based, unreported transfers. Foreign nationals, including refugees and ethnic Somali residents, primarily use the hawala system to transmit remittances internationally. Diaspora remittances to Kenya totaled \$2.1 billion between January and September 2019. The growing volume of financial transactions involving DNFBPs have emerged as likely vehicles for money laundering.

Banking systems, wire services, and mobile money payment platforms are increasingly available in Kenya. Digital financial services and platforms are vulnerable to money laundering. Mobile money lenders are not regulated despite more than 50 active digital loan mobile applications. Most of the roughly 225,000 mobile money agents in Kenya work through Safaricom's M-Pesa system. M-Shwari, a mobile lender, has over 22 million registered subscribers, with 5 million active users.

Kenya is a transit point for the region and international drug traffickers, and TBML continues to be a problem. Its proximity to Somalia makes it attractive for laundering piracy-related proceeds, and there is a black market for smuggled goods. Goods reportedly transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are actually sold in Kenya. Trade is often used to offset transactions in regional hawala networks.

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

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive AML framework. Covered entities reporting to the Financial Reporting Center (FRC), Kenya's FIU, are subject to KYC and STR rules and have enhanced due diligence procedures in place for PEPs. AML/CFT regulations and STR reporting requirements have been extended to include trust and company service providers; however, lawyers and notaries remain unsupervised and not subject to AML/CFT obligations.

The Central Bank of Kenya (CBK) has adopted a risk-based AML/CFT regulatory framework. Commercial banks are expected to record and report all transactions above approximately \$10,000 (1 million Kenyan Shillings (KES)); CBK has imposed fines on violators.

To combat increased currency counterfeiting and money laundering, the CBK, from June-September 2019, exchanged old 1,000-shilling notes for new ones, with an October 1, 2019 deadline for the exchange. CBK announced on October 2 that 95 percent of the notes were

returned, with the remaining 5 percent, or approximately \$73 million (7.4 billion KES) now worthless.

The United States and Kenya do not have a bilateral MLAT; however, relevant multilateral law enforcement conventions with mutual legal assistance provisions and domestic laws allow the United States and Kenya to make and receive requests for assistance.

Kenya is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [https://www.esaamlg.org/index.php/Mutual\\_Evaluations/readmore\\_me/15](https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/15).

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

An automated system would improve the FRC's efficiency and ability to analyze STRs. Although the FRC receives STRs from some MVTs providers, this sector presents an AML compliance challenge.

Kenya does not recognize virtual currency as legal tender, so AML requirements have not addressed digital asset risks. CBK and the Capital Markets Authority issued circulars warning banks and the public not to engage in digital asset trades, but a gap remains in formulating a framework to address digital asset threats. Tracking and investigating suspicious transactions within the mobile money sector remain difficult. Lack of oversight and enforcement in this sector, coupled with inadequate reporting, increases the risk of abuse.

Kenya's National Assembly has thus far failed to pass amendments to the POCAMLA to extend reporting requirements to lawyers, notaries, and other independent legal professionals.

To demand bank records or seize an account, police must obtain a court order by presenting evidence linking the deposits to a criminal violation. Confidentiality of this process is not well maintained, allowing account holders to be tipped off and providing an opportunity to move assets.

Despite its progress, Kenya still needs to strengthen implementation of good governance and anticorruption measures and improve its AML/CFT regime. Bureaucratic and other impediments may hinder the investigation and prosecution of financial crimes.

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

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

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission before the officials can open a foreign bank account.

The government, especially the police, should allocate adequate resources to build institutional capacity and investigative skills.

In 2018, CBK fined five commercial banks approximately \$3.85 million (392 million KES) for AML/CFT, STR reporting, and KYC deficiencies.

A 2016 amnesty designed to facilitate tax payments enabled Kenyans to repatriate money from offshore accounts. The Kenya Revenue Authority (KRA) failed to institute a policy to confirm supposedly repatriated funds actually were returned to Kenya. KRA has been unable to trace approximately \$7.9 billion (803 billion KES) of repatriated money or to confirm the KRA-registered funds were not transferred back out of Kenya, raising concerns the amnesty window facilitated laundering of illicit cash.

## **Kyrgyz Republic**

### **OVERVIEW**

While the Kyrgyz Republic is not a regional financial center, a large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. In 2019, known remittances from migrant workers comprised nearly 33 percent of its GDP, the majority from Russia. A significant portion of remittances entered the Kyrgyz Republic through informal channels or was hand-carried to the Kyrgyz Republic from abroad. The Kyrgyz Republic, however, is recognized as a stable economy for foreign banks and other financial institutions.

The Kyrgyz Republic is strengthening its efforts to combat money laundering and financial crimes, but continues to confront challenges in implementing new laws and regulations. In the last two years, the Kyrgyz government passed a new AML law and new criminal legislation to match international standards. Challenges in the implementation of international AML/CFT standards mean the country is making minimal progress in the fight against money laundering.

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

Narcotics trafficking appears to be a main income source of organized crime. The country sits along a major transit route from Afghanistan to Russia and beyond, particularly to Europe. As a member of the Eurasian Economic Union, smuggled narcotics can travel from the Kyrgyz Republic to the Polish border without undergoing a customs check. The smuggling of consumer goods, 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 MVTs. Weak political will, constraints and competition for resources among state agencies tackling money laundering, inefficient financial systems, and corruption serve to stifle efforts to effectively combat money laundering.

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

A new AML law was adopted in August 2018, and on December 25, 2018, the government adopted a national action plan to implement the AML law. This action plan had the following significant elements: definitions and a list of financial entities and categories of non-financial

entities; expansive CDD requirements to cover domestic PEPs and PEPs of international organizations in addition to foreign PEPs; increases to the list of prohibited actions that might be considered as high-risk and connected with terrorist financing and money laundering; a national risk assessment of terrorist financing and money laundering; requirements for financial institutions to conduct due diligence on customers in line with international standards; and the introduction of new principles of international partnership, including an article on asset recovery to implement UNCAC requirements.

The President's Office, with advice from an interagency working group, drafted and implemented new criminal codes that came into force in January 2019. The codes introduce corporate liability for criminal activities, including economic and ecological crimes, corruption, and trafficking in persons.

The United States lacks a bilateral extradition treaty or MLAT with the Kyrgyz Republic. Cooperation takes place under the UN law enforcement multilateral conventions, to which the Kyrgyz Republic is also a signatory.

The Kyrgyz Republic is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

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

International experts have noted the Kyrgyz government has a limited understanding of the money laundering risks in the Kyrgyz Republic.

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

The Kyrgyz Republic continues efforts to implement international AML standards, but lacks the expertise and capacity to successfully implement its new laws and regulations. The government lacks information-sharing mechanisms on money laundering with the United States but expressed willingness to conclude a MOU between the Kyrgyz General Prosecutor's Office and U.S. law enforcement.

In 2019, the FIU signed international cooperation agreements with the British Virgin Islands, Macau, and Indonesia. The Kyrgyz Republic and the United States, however, do not currently have a records exchange mechanism in place. In 2019, the FIU reported it referred 169 money laundering reports and 118 terrorism financing reports and sent 558 financial investigative requests to the relevant law enforcement bodies. The Kyrgyz government does not publish or provide detailed data on prosecutions and convictions, providing only aggregated data. Government officials do publicly discuss narcotics statistics.

Although the Kyrgyz Republic strengthened AML legislation, lack of law enforcement capacity, interagency cooperation, and information-sharing among law enforcement bodies creates barriers to successfully countering money laundering.

## Laos

### OVERVIEW

A cash-based economy and limited capacity in the legal, regulatory, and law enforcement sectors make the Laos an attractive environment for criminal networks.

Laos completed its AML/CFT National Risk Assessment in 2018 and identified high-risk areas vulnerable to money laundering and possible terrorist financing. A small number of donors and technical assistance providers have been working with Laos.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

High-value purchases, including land, other real property, and luxury vehicles, are routinely made with cash. Laos shares over 3,100 miles of border with five other countries; its borders are notoriously porous, enabling cross-border transnational criminal activities. Corruption, drug trafficking, environmental crime, the casino industry, and human trafficking all present significant vulnerabilities for Laos's AML regime.

Gambling is technically illegal, but there are three casinos operating in special economic zones within Laos that are exempted and tourists/foreigners can play at them; supervision appears to be minimal. Online gaming exists but is not licensed or supervised and there are no real enforcement mechanisms.

### KEY AML LAWS AND REGULATIONS

Laos updated its legal framework in early 2015, including by issuing a new AML/CFT law. Laos also established the National Coordinating Committee on AML/CFT (NCC), a non-permanent group comprised of senior-level Government of Lao officials appointed or removed by the prime minister, to oversee AML/CFT implementation. With NCC oversight, the Government of Laos issued several regulations, instructions, and guidelines throughout 2015 – including on wire transfers, onsite supervisory examinations, and STR requirements, among others.

Laos's Anti-Money Laundering Intelligence Office (AMLIO), the FIU, has MOUs with eight foreign countries, and regularly exchanges information related to individual and corporate accounts that are under investigation. Laos does not have a records-exchange mechanism in place with the United States. AMLIO does eventually hope to become a member of the Egmont Group, but currently, Egmont does not consider AMLIO to have met the standards for membership. This is one area that technical assistance providers are working on.

Laos is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=a6c4a803-0e15-4a43-b03a-700b2a211d2e>.

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

Despite having established the necessary legal framework and an FIU, enforcement of Laos's AML/CFT laws remains a challenge. Awareness and capacity among the state-owned commercial banks, which have the largest market share in Laos, remains weak. Most of the STRs submitted to the FIU originate from overseas financial institutions operating in Laos. When a domestic bank does report, the quality of the information received is generally poor.

Deficiencies include a lack of oversight for MVTS providers and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed. According to the Lao PDR July 2019 status report submitted to the APG, it amended and issued "Instruction on MVTS report, No. 22/FISD", effective on September 26, 2018. However, it is unclear whether the deficiencies have been cured by the amendments.

AMLIO is taking steps to enhance awareness of AML/CFT requirements, including by holding regular workshops on AML/CFT with reporting entities.

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

Despite the introduction of the money laundering law and passage of the revised money laundering offense in the penal code revision in 2017, the routine conduct of financial investigations parallel to those of the predicate crime does not happen. AMLIO indicated that three criminal cases of money laundering were successfully prosecuted in 2019.

While there appears to be a broad agreement among ministries to maintain the AML/CFT progress that Laos had made so far, domestic cooperation between agencies such as AMLIO, Customs Department, Ministry of Public Security (police), and Government Inspection Agency could be improved. International cooperation on AML/CFT and asset forfeiture also requires improvement.

Laos needs to exhibit significant progress in the area of operational effectiveness, demonstrating that its laws and regulations are effectively and efficiently implemented.

# **Liberia**

## **OVERVIEW**

The Government of Liberia has made efforts to strengthen its AML regime, but significant challenges remain. The Central Bank of Liberia (CBL) does not robustly enforce AML requirements. Interagency coordination has improved, but key stakeholders have not produced actionable financial intelligence, conducted systematic financial investigations, or secured financial crimes convictions. Financial institutions have limited capacity to detect money laundering, and their financial controls remain weak. Liberia's FIU is under-funded and has experienced recurring budget cuts. The FIU also lacks the equipment and institutional and technical capacity to adequately collect, analyze, and disseminate financial intelligence. Liberia

remains a cash-based economy with weak border controls and endemic corruption, leaving the country vulnerable to illicit activities.

The government should enhance CBL oversight authority and consistently provide adequate resources to the FIU. Liberia should continue to work with international partners to ensure its AML laws, regulations, and policies meet international standards.

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

Smuggled goods enter Liberia through its porous borders. Illicit transactions are facilitated by Liberia's cash-based economy, with both Liberian and U.S. dollars recognized as legal tender.

Money exchange operations are poorly controlled. There are numerous unlicensed foreign exchange sites and unregulated entities whose opaque activities raise concerns. Several money exchange entities facilitate what appear to be unregulated or unlicensed money transfers, which serve as alternative remittance channels outside the formal banking system. Artisanal diamond and gold mines are largely unregulated and difficult to monitor, providing opportunities for illicit financial transactions.

The Liberia National Police, Liberia Drug Enforcement Agency, and National Security Agency have the authority to investigate financial crimes, but are not effective in pursuing investigations and prosecutions. Liberia does not currently have functional FTZs. The National Lottery Authority exercises limited oversight of the country's two registered casinos.

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

Liberian laws against money laundering and economic sabotage include the Anti-Money Laundering and Terrorist Financing Act of 2012; the New Penal Law; Title 26 of the Liberian Code of Law Revised; the Liberia Anti-Terrorism Act of 2017; the Targeted Sanctions Against Terrorists Act of 2017; and the Special Criminal Procedures for Offenses Involving Terrorists Act of 2017. The FIU Act of 2012, which establishes and governs the FIU, is under revision to enhance the Unit's capabilities.

In September 2019, the FIU held a two-day stakeholders' workshop to raise awareness of and gain endorsement of three AML/CFT regulations, including an update to the Targeted Sanctions Against Terrorists Act and a regulation addressing PEPs, which would improve Liberia's efforts to curb money laundering, corruption, terrorist financing and other financial crimes.

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

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

Key challenges to developing a robust AML regime include limited capacity to enforce regulations, investigate financial crimes and illicit money flows, and conduct successful



prosecutions and asset recovery. In 2019, the FIU submitted 40 STRs to law enforcement officials and the judiciary; there were no prosecutions or convictions for money laundering.

International donors supported the government to build capacity and improve the operational effectiveness of the FIU to identify, analyze, and disseminate financial intelligence data. International partners also assisted the CBL to expand on-site examination of domestic banks and non-bank financial institutions, as well as mentored enforcement authorities to develop financial crime cases. Liberia's lack of prioritization of the FIU is evidenced by two years of steadily declining budget allocations, and consistent challenges accessing the funds allocated to the FIU.

The Liberian FIU has not applied for Egmont Group membership, but has sought the necessary sponsorship for its application.

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

The CBL conducts AML/CFT inspections of commercial banks, as well as offsite surveillance and supervision of commercial banks' implementation of KYC and CDD guidelines. However, it has limited technical capacity to systematically monitor and enforce compliance. The CBL reports banks are improving their compliance with AML laws and regulations, but has not yet conducted money laundering risk assessments of all their products, customers, delivery channels, and geographic locations.

The FIU shares its regulations and guidance on STRs and CTRs, as well as information on cross-border transfers of cash with other agencies, such as the Liberia Revenue Authority, the Liberia National Police, and the Liberia Immigration Services. The FIU has piloted, but not fully implemented, an electronic method for banks to upload STRs and CTRs.

Money laundering investigations are hampered by limited capacity, political interference, corruption, lack of financial transparency, inadequate record-keeping, and weak judicial institutions.

## **Macau**

### **OVERVIEW**

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, includes offshore financial businesses such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to supervisory requirements similar to those of domestic institutions, and to oversight by Macau's Monetary Authority.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

With gaming revenues of \$37.9 billion for 2018, Macau is the world's largest gaming market by revenue. The gaming sector caters to three main customer types - premium players, junket players, and mass gaming players - and relies heavily on junket operators for the supply of wealthy gamblers, mostly from Mainland China. In addition to attracting those seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos unable to collect gaming debts on the Mainland, where gaming is illegal. Asian organized crime groups are active in the gaming services and involved in illegal activities such as drug trafficking. This mingling of licit and illicit activities, together with the anonymity gained through the use of a junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud. Macau is likely a transit point and an end destination for such funds.

## **KEY AML LAWS AND REGULATIONS**

Macau authorities continue their efforts to develop an AML framework that meets international standards. Macau has an interagency AML/CFT working group, which coordinates responses to identified risks. Macau's Law 2/2006 on the prevention and repression of money laundering crimes and Law 3/2006 on the prevention and suppression of the crimes of terrorism and terrorism financing came into effect in 2006. These laws impose AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. The laws postulate STR requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Effective May 2017, these laws widen the scope of identifiable criminal offenses to include smuggling and drug trafficking and strengthen CDD measures to identify and verify the identity of beneficial owners.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), requires gaming and junket operators to carry out CDD and, when relevant, enhanced due diligence and to keep records of large and/or suspicious transactions. Macau gaming supervisors have a good understanding of the risks posed by junket operators and is taking a more stringent approach toward licensing and the supervision of junket promoters, which are subject to enforceable AML requirements. The number of licensed junket promoters has decreased from 225 in 2011 to 102 in 2019.

Travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately \$15,000 (120,000 pataca) or more are required by law to sign and submit a declaration form to the Macau Customs Service.

Macau is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-macao-2017.html>.

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

Gaming entities are subject to threshold reporting for transactions over approximately \$62,640 (500,000 pataca) under the supplementary guidelines of the DICJ. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards.

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

The 1988 UN Drug Convention was extended to Macau in 1999, the UNCAC in 2003, and the UNTOC in 2006.

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage smaller junket operators, who have weaker AML controls, to exit the market while encouraging the professional junket operators to further develop their compliance programs. Macau should enhance its ability to support international AML investigations and recovery of assets. Only a handful of money laundering convictions have been obtained in recent years.

In 2018, STRs received from the gaming sector accounted for 56 percent of the 3,716 reports filed. A total of 121 STRs were sent to the Public Prosecutions Office.

## **Malaysia**

### **OVERVIEW**

Malaysia is a highly open, upper-middle income economy with exposure to a range of money laundering threats. The country's porous land and sea borders, visa-free entry policy for nationals from over 160 countries, strategic geographic position, and well-developed financial system increase its vulnerability to domestic and transnational criminal activity, including fraud, corruption, drug trafficking, wildlife trafficking, smuggling, tax crimes, terrorism, and terrorism finance.

Malaysia has largely up-to-date AML legislation, well-developed policies, institutional frameworks, and implementation mechanisms. The country has shown continuing progress in efforts to improve AML enforcement by increasing money laundering investigations, prosecutions, and convictions. One key area for development is the prosecution of foreign-sourced crimes.

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

The UN and the IMF place Malaysia among the top countries with high illicit financial outflows. It is estimated Malaysia's illicit financial outflows account for \$33.74 billion, which ranks it fifth among all countries for illicit capital flight, but number one on a per capita basis. Malaysia accounted for approximately 6 percent of total illicit financial flows for all developing countries.

Malaysia is used primarily as a transit country to move drugs globally. Drug trafficking by Chinese, Iranian, and Nigerian organizations is a significant source of illegal proceeds. Malaysia is also a source, destination, and transit country for wildlife trafficking, serving as a nexus for illegal wildlife products transiting to destinations such as China and Vietnam, with some contraband (e.g., ivory) used as currency by the trafficking networks.

Money laundering methods used for terrorist financing include cash couriers, funds skimmed from charities, gold and gem smuggling, and front companies and businesses. Illicit proceeds also are generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion, as well as smuggling of high-tariff goods.

Malaysia's offshore financial sector on the island of Labuan is subject to the same AML laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit STRs.

The large cash and informal economies and unauthorized MSBs pose significant vulnerabilities. Bank Negara Malaysia (BNM) continues to take enforcement actions against unauthorized MSBs. In August 2019, authorities froze 35 bank accounts and seized \$1 million in cash and properties from a network of illegal MSB operators. In January 2019, BNM reduced its cash threshold reporting from \$12,000 to \$6,000, and in November 2019, announced it was considering a cash transaction limit to combat financial crimes.

Malaysia has 17 Free Industrial Zones (FIZ) and 17 Free Commercial Zones (FCZ). Companies wishing to operate in an FIZ or FCZ must be licensed. In 2017, Malaysia became the second country to launch a Digital FTZ.

The Ministry of Finance licenses and regulates the activity of casinos. Under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), BNM periodically assesses Malaysia's sole licensed casino for AML compliance.

Malaysia is a global leader in Islamic finance. Malaysia's national risk assessment includes the Islamic financial sector, and this sector is subject to the same AML legal and regulatory regime as the conventional financial sector. Based on their supervisory experience, Malaysian regulators believe there are no material differences in AML risks between Islamic and conventional institutions.

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

The AMLA covers the money laundering offense, reporting obligations, investigative powers, forfeiture regime, and cross-border declaration regime. Malaysia has comprehensive KYC and STR regulations.

Malaysia is a member of the FATF and the APG, a FATF-style regional body. Its most recent

MER is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Malaysia-2015.pdf>.

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

Malaysia has a high degree of technical compliance with international AML standards, but deficiencies remain. Malaysia should continue its efforts to target high-risk offenses and foreign-sourced crimes effectively, and has a national action plan focusing on these areas.

Malaysia has traditionally pursued other measures, especially forfeiture, in place of money laundering prosecutions. The handling and effective disposal of seized assets remains a challenge for authorities.

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

The government, with foreign assistance, has taken action to prosecute several former government officials, including former prime minister Najib Razak and his deputy, who allegedly were involved in misappropriations from the state-owned development fund “1Malaysia Development Berhad” (1MDB). In May 2019, the U.S. DOJ returned to the Malaysian government nearly \$200 million in assets traceable to funds misappropriated from 1MDB.

The government approved legislation in October 2019 establishing a National Anti-Financial Crime Center (NFCC), with participation from twelve existing enforcement agencies. The NFCC is expected to begin operations next year.

In November, the Malaysian Financial Intelligence Network (MyFINet), a public-private partnership initiative aimed at countering financial crimes via intelligence sharing, was launched. MyFINet will utilize participation from the Royal Malaysia Police, the Malaysian Anti-Corruption Commission, Royal Malaysian Customs, and the Securities Commission Malaysia, among others. The network relies on timely and open sharing of financial intelligence from financial institutions to the law enforcement community to strengthen AML defenses.

In 2018, Malaysia prosecuted 39 cases under AMLA, including 14 drug-related cases, as defined under its 1988 Dangerous Drugs Act. In 2019, the United States signed a case-specific sharing agreement with Malaysia prior to the return of the approximately \$200 million in funds linked to 1MDB.

## **Mexico**

### **OVERVIEW**

Billions of dollars of drug trafficking proceeds are laundered through the Mexican financial system annually. Corruption, bulk cash smuggling, kidnapping, extortion, fuel theft, intellectual property rights violations, fraud, human smuggling, and trafficking in persons and firearms are

additional sources of laundered funds. Authorities have had some success investigating and freezing accounts of suspected launderers, but have shown extremely limited progress in successfully prosecuting financial crimes. Two Supreme Court rulings in 2017 curbed the authority of the Financial Intelligence Unit (UIF) and the Federal Prosecutor General's office (FGR), complicating Mexico's ability to counter illicit financial activities. As a result, Mexican authorities now must rely on international requests for assistance or judicial seizure orders obtained by FGR to freeze accounts.

Money laundering activity continues as the government struggles to prosecute financial crimes and seize illicit assets. To increase the number of money laundering convictions, the government needs to combat corruption and improve investigative and prosecutorial capacity. To this end, the FGR completed a protocol on conducting parallel financial investigations in 2018. New legislation passed in 2019 promises to strengthen the Mexican authorities' ability to use asset forfeiture as a tool to combat money laundering and transnational organized crime.

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

Illicit drug proceeds leaving the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations (TCOs) use a variety of laundering methods. TBML involves the use of dollar-denominated illicit proceeds to purchase retail items for export to and re-sale in Mexico or the United States, then routing the revenue from the sale to TCOs. TBML also includes overvaluing exports, or reporting exports of nonexistent merchandise or merchandise never exported. President Lopez Obrador issued an executive order in 2019 strengthening penalties for issuing fraudulent tax invoices, often associated with TBML.

Criminals invest in financial and real assets, such as property, businesses, and luxury items. The luxury real estate sector remains a concern, especially as a vehicle for laundering the proceeds of public corruption. Two popular laundering methods include structured deposits in Mexican banks of smuggled, bulk amounts of U.S. dollars, and funnel accounts, in which cash deposits into accounts in the United States are funneled into a single account and wired to Mexico. Asia-based money launderers continue to compete with traditional Mexican launderers, conducting "mirror transactions" more efficiently and cheaply. Narcotics-related proceeds are also laundered through unlicensed exchange houses, although Mexico's banking regulator, the National Banking and Securities Commission (CNBV), has a special unit to curtail the number of unlicensed exchange houses in operation.

Authorities have increasingly been monitoring the potential for criminal exploitation of financial technology, including convertible virtual currencies.

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

Mexican law criminalizes money laundering at the state and federal level. CDD rules cover most financial sector entities, including financial technology institutions (FTIs). The CNBV regulates FTIs involved in electronic payments, exchanges of virtual assets, and virtual currencies. Critics

argue the FTI law's secondary regulations increase money laundering vulnerabilities because they go too far in liberalizing financial markets for FTIs.

In August 2019, President Lopez Obrador signed into law non-conviction-based forfeiture legislation. Under the new law, assets, even if acquired legally and including instruments of crime, can be pursued independently of a criminal prosecution. The law also adds corruption and money laundering as predicate offenses and has a 20-year statute of limitations. In response to these reforms, FGR created a specialized asset forfeiture unit to pursue all federal asset forfeiture actions.

Mexico is a member of both FATF and GAFILAT, a FATF-style regional body. Mexico's most recent MER is available at: [www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf).

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

In 2017, the Mexican supreme court ruled the UIF's administrative freezing of accounts on its Blocked Persons' List (BPL) violates constitutional protections under the law and due process rights. UIF can still freeze accounts when presented with an international request for legal assistance. A second ruling in 2017 curbed FGR's ability to present financial records during court proceedings, ruling only records obtained by court order would be admissible. FGR must now seek a court injunction anytime it needs to obtain bank records, which can slow and hinder financial investigations, as judges require specific information on names, accounts, etc. Subsequently, several high-profile individuals and entities filed cases in Mexican federal court to have their accounts unfrozen and cases dismissed. Authorities have struggled to investigate and prosecute financial crimes, and these rulings may result in additional case dismissals. The Mexican congress is debating a legislative proposal to permit the UIF to add individuals to the BPL if it deems there is a preponderance of evidence to freeze their assets. According to the proposal, individuals included on the list will have access to due process within 10 days of inclusion.

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

Although authorities recognize the criminal abuse of certain sectors, law enforcement responses are limited by corruption and lack of capacity. Conviction data is not yet available for 2019. The money laundering unit of the organized crime division of FGR has informally reported it obtained 11 money laundering convictions in 2018, compared to 17 in 2017. The paucity of money laundering convictions is representative of Mexico's prosecutorial capacity and difficulty in transitioning the criminal justice system to an accusatorial model in all states.

## Morocco

### OVERVIEW

Morocco is strengthening its AML regime through legislation and capacity building. Money laundering vulnerabilities in Morocco stem from the prevalence of cash-based transactions, a high volume of remittances, international trafficking networks, public corruption, and deficient AML controls. Morocco serves as an integration point for illicit drug money into the legitimate economy, with an estimated hundreds of millions of dollars laundered through Morocco annually. Financiers of terrorism take advantage of these vulnerabilities.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Morocco's informal, cash-based economy, estimated to equal 20-30 percent of GDP, is vulnerable to abuse. Only 60 percent of Moroccans have a bank account, according to the Moroccan Central Bank (BAM). The BAM and the telecommunications regulator launched a mobile banking initiative in 2018 to facilitate access to banking services and to encourage electronic (and more easily traceable) payments.

Morocco's geographic location as a gateway between Europe and Africa makes it a conduit for smuggling, drug trafficking, human trafficking, and clandestine migration. The 2016 law to combat trafficking in persons deters human trafficking and money laundering by imposing heavy sentences on offenders and broadly defines trafficking to include anyone who gives or receives payments or benefits related to trafficking.

The export of Moroccan-grown cannabis (especially hashish) and, increasingly, the trafficking of cocaine from Latin America to Europe via Morocco, generate significant illicit profits. Real estate, jewelry, and vehicles are used to launder drug proceeds.

Money transfer services present a vulnerability due to their volume. Annual remittance transfers rose to \$7.4 billion in 2018, accounting for 5.8 percent of GDP. The majority of transfers originate in Europe. The Financial Intelligence Processing Unit (UTRF), the Moroccan FIU, requires transfer operators to collect identification information on both senders and recipients. Unregulated hawalas are also used to move illicit funds internationally.

Morocco's seven FTZs are regulated by an interagency commission. The FTZs allow customs exemptions for goods manufactured in the zones for export abroad. Six offshore banks operate in the Tangier FTZ, and all are affiliates of local banks and operate with consolidated controls. The UTRF has reported suspicions of money laundering activity through the Tangier FTZ.

International casinos are a vehicle through which money may enter and exit Morocco without currency control restrictions. By using an in-house account at a casino that is part of a multinational business, an individual can move funds from one casino to any other related casino in the world. There are several multinational casinos in Morocco, and the extent to which this transfer method is used to launder illicit proceeds is unknown. Casinos are supervised by the UTRF, but generally file no STRs.



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## **KEY AML LAWS AND REGULATIONS**

Morocco has key AML laws and regulations in place, including KYC programs and STR procedures. High-risk customers/transactions are scrutinized under Morocco's AML law and Central Bank Circular No. 2/G/2012.

Morocco formulated a national risk assessment in 2016, and its ministries are in the process of updating and adopting it. Morocco is also institutionalizing a new national committee to coordinate the country's AML strategy.

Morocco has an MLAT with the United States.

Morocco is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/anti-money-laundering-and-counter-terrorist-financing>.

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

International experts have noted a number of areas for improvement in Morocco's AML/CFT regime, including the need for greater national coordination, the lack of a declaration system for cross-border currency transportation reporting, and legal, regulatory, and policy issues impeding the effective implementation of supervisory and criminal enforcement actions.

Money laundering is classified as a misdemeanor in Morocco.

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

Morocco works closely with international partners, has implemented applicable multilateral agreements, and has voluntarily initiated exchanges with private sector partners to address key vulnerabilities.

The UTRF retains its key role in collecting and analyzing financial intelligence. It also assesses systemic risk, disseminates information to financial entities, and communicates with banks, other financial entities, and government authorities to facilitate information sharing, capacity building, and coordination. However, its analytic capabilities, interagency cooperation, and the ability of law enforcement to access information are problematic. Replies to inquiries concerning suspected money laundering-related activities are rare, and there appears to be little oversight concerning the origin of large cash deposits.

Law enforcement does not effectively use financial intelligence to identify money laundering or to enhance ongoing predicate investigations by tracing proceeds or recovering assets. The UTRF refers some information to law enforcement, but use of this information to conduct financial investigations and pursue money laundering investigations appears infrequent. Prosecutions and convictions for money laundering are low in relation to the large number of predicate crimes that are pursued by authorities—from 2013-2018, there was only one conviction for money

laundering. The amount of illicit funds confiscated is also low, and UTRF does not respond to inquiries concerning asset forfeiture events.

## Mozambique

### OVERVIEW

Money laundering in Mozambique is driven by misappropriation of state funds, kidnappings, human trafficking, narcotics trafficking, wildlife trafficking, and, potentially, terrorism. With a long, largely unpatrolled coastline, porous land borders, and limited rural law enforcement presence, Mozambique is a major corridor for illicit goods such as hardwoods, gemstones, wildlife products, and narcotics. Narcotics are typically trafficked through Mozambique to other African nations and then on to further destinations, such as Europe and the United States.

The Attorney General (PGR) and Bank of Mozambique (BOM) have shown a willingness to address money laundering, and the Government of Mozambique has taken steps to improve the legal framework. However, attorneys, judges, and police lack the technical capacity and resources to combat money laundering successfully. Mozambique would also benefit from better collaboration between AML/CFT enforcement institutions. One international governance NGO assessed that in 2019 Mozambique had the highest risk of money laundering and terrorist financing out of 125 countries surveyed.

From 2013-14, a group of senior Mozambican officials, including the former finance minister, secretly negotiated over \$2 billion in loans, much of which went to illegal bribes and other illicit payments to the government officials, bankers, and business people involved in the scheme. In 2019, three Credit Suisse bankers involved in the loans pled guilty in the United States to money laundering. While the PGR has arrested 20 individuals in Mozambique, including the son of a former president and the former director of Mozambique's intelligence service, for their alleged roles in the hidden debt scandal, neither the PGR nor Administrative Court have proceeded with trials in Mozambique.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

South Asian and East Asian criminal syndicates play a prominent role in illicit activities in Mozambique, such as trafficking narcotics and animal products, poaching, and illegal logging. Authorities believe proceeds from these activities may be financing violent extremists in northern Mozambique.

The real estate sector, because of the lack of a regulatory body, is also susceptible to money laundering. Money laundering is conducted primarily by foreign currency exchange houses, cash smugglers, and hawala brokers. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal sector in most parts of the country. Given the lax control over the mobile communications and electronic payments market, mobile payment systems are an area of concern.

There are three FTZs in Mozambique, but there is no known evidence they are tied to money laundering.

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

Law 14/2013 and decree regulation 66/2014 provide tools to combat money laundering and terrorism financing in Mozambique. The law allows the government to freeze terrorist assets and enter into MLATs for terrorism finance cases. The law also criminalizes terrorist financing, specifies evidence collection procedures, and allows for the seizure of documents. Mozambique has KYC provisions, and STRs are analyzed and flagged by the FIU (GIFIM—Portuguese acronym) and distributed to relevant investigative bodies. Regulations also require enhanced due diligence for PEPs. The BOM places AML obligations on local banks.

Mozambique is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [https://www.esaamlg.org/index.php/Countries/readmore\\_members/Mozambique](https://www.esaamlg.org/index.php/Countries/readmore_members/Mozambique).

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

Mozambique has made steady progress establishing a legal framework that supports money laundering investigations, but implementing agencies need more robust human, financial, and technical resources to effectively investigate and prosecute money laundering and financial crimes.

The GIFIM has expressed interest in joining the Egmont Group and has taken steps to implement measures needed to become a member. The Council of Ministers is committed to prioritizing approval to apply for membership.

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

Mozambique has made progress in enforcing AML laws and implementing regulations. During 2017, the most recent data available, the PGR initiated 40 criminal cases, an increase of 24 from 2016. Most of the cases dealt with tax evasion, drug trafficking, and the illegal exploitation of forest resources. The PGR has noted the need for better technology and specialized human resources to analyze data and accounting information. The BOM fined six banks over \$2.8 million in 2019 for failing to comply with AML/CFT regulations. The BOM also levied fines against a mobile phone operator for violations of AML/CFT regulations.

The United States and Mozambique are establishing records-exchange procedures. The U.S. DEA opened an office in Mozambique in 2017 and is continuing to develop mechanisms to facilitate future information sharing on money laundering and narcotics cases.

Mozambique became a member of the Asset Recovery Inter-Agency Network for Southern Africa in 2017, which supports investigators and prosecutors in sharing information to identify, track, and seize criminal assets.

## Netherlands

### OVERVIEW

The Netherlands is an active player in the field of AML/CFT. Nevertheless, as a major trade and financial center the Netherlands is an attractive venue for laundering funds generated from illicit activities, including those related to the sale of drugs. A government-commissioned study from 2018 estimated that around \$17.7 billion is laundered annually in the Netherlands.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands: Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands; and Aruba, Curacao, and Sint Maarten are autonomous countries within the Kingdom. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Financial fraud, especially tax evasion and drug trafficking, are believed to generate a considerable portion of domestic money laundering activity. There are indications of syndicate-type structures involved in organized crime and money laundering. Dutch law enforcement regularly launches money laundering investigations and pursues assets for confiscation. Few border controls exist within the Schengen Area of the EU, although Dutch authorities run special operations at border areas with Germany and Belgium and in the Port of Rotterdam to minimize smuggling. Hawala-style underground remittance systems operate in the Netherlands. Criminal networks increasingly operate online and use virtual currencies to facilitate illegal activity.

### KEY AML LAWS AND REGULATIONS

The Dutch Financial Intelligence Unit (FIU-NL) is an independent, autonomous entity under the National Police Unit. The Anti-Money Laundering Center, established in 2013, facilitates knowledge-sharing and AML coordination between government agencies (e.g., the FIU, the Fiscal Information and Investigative Service, the police, and the public prosecution service) and the private sector. Seizing and confiscating proceeds of crime is a high priority for Dutch law enforcement.

On June 30, 2019, the government presented a national action plan against money laundering. The plan is a joint effort by the Ministry of Finance and Ministry of Justice and Security, with assistance from various law enforcement and regulatory agencies. The action plan calls for various measures to be implemented with three guiding principles: raising barriers for criminals, improving the effectiveness of gatekeepers to the financial market, and improving the quality of criminal investigations. Among other measures, the action plan calls for banning the 500 euro bill and cash payments over approximately \$3,325 (3,000 euros).

On December 10, 2019, the Second Chamber of Parliament approved two legislative proposals. The first proposal contained further regulations on virtual currencies, anonymous debit cards, and art and real estate transactions. This proposal would also obligate financial institutions to

increase due diligence on customers from higher-risk countries. The second proposal would create a registry listing the ultimate beneficial owners (UBO) of companies and other legal entities that would operate under the Chamber of Commerce. Both proposals are part of the Dutch implementation of the Fifth EU Anti-Money Laundering Directive. At year's end, the proposals were in the First Chamber of Parliament.

Dutch law has comprehensive KYC and STR regulations, which apply to many actors in the financial sector. Every three years, the government commissions an external assessment of its AML regulations and policies. The government has also launched a cooperative arrangement with its largest banks to share best practices on AML.

Law enforcement cooperation between the Netherlands and the United States is good; the existing MLAT allows for the exchange of records in connection with narcotics investigations, among others.

The Netherlands is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html>.

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

The Netherlands hosts one of the EU's strongest AML/CFT regimes and is strongly committed to enforcement. While there are not significant technical deficiencies in the AML regulatory regime, the magnitude of money laundering is a concern. A government-commissioned study released in 2018 estimates \$17.7 billion is laundered annually in the Netherlands, with \$10.4 billion coming from abroad.

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

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) on transactions that could be connected with money laundering. The FIU analyzes UTRs to determine if they are "suspicious," denoting a greater likelihood of money laundering, and forwards them to law enforcement for criminal investigation, at which point they become classified as STRs. Intelligence is not systematically shared with law enforcement. Law enforcement only has access once a legal determination of suspicion has been made. Shifting priorities for law enforcement have hindered a sustained effort to improve financial investigations.

The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold of approximately \$11,100 (10,000 euros). Instead, different thresholds apply to various specific transactions, products, and sectors.

On September 26, 2019, the Dutch Prosecutor's Office announced an investigation into ABN AMRO Bank, one of the three major banks in the Netherlands, for suspected violations of the laws against money laundering. ABN AMRO committed to cooperate in the investigation. In 2018, Dutch authorities reached a settlement of approximately \$858 million (€775 million) with

Netherlands-based ING Bank over failure to prevent money laundering. The penalty was the largest AML enforcement action to date by authorities in Europe. The Netherlands has taken strong actions against banks with major compliance failings.

## Nicaragua

### OVERVIEW

Nicaragua is not a regional financial center but remains vulnerable to money laundering as a transit country for illegal narcotics. Factors that increase the risk for financial abuse and international organized crime include the current socio-political crisis, law enforcement corruption, the deterioration of democratic institutions, and the politicization of AML/CFT regulators.

The Government of Nicaragua reports technical progress in its AML/CFT and Financial Analysis Unit (FAU) regulatory frameworks in 2019. However, the government's lack of political will to fight corruption and organized crime, and the ineffectiveness of its regulatory bodies, remain hindrances to regional security efforts.

The areas of greatest concern include the government's unwillingness to investigate sanctioned individuals and its decision to harbor high-profile former foreign officials accused of corruption and money laundering. Its potential to domestically weaponize AML/CFT laws for use against political opponents is particularly dangerous. On October 4, 2018, FinCEN issued an advisory warning U.S. financial institutions of the increasing risk that proceeds of Nicaraguan political corruption may enter or pass through the U.S. financial system.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The risk of drug money laundering escalated in 2019 because some economic actors, in response to U.S. sanctions, pushed assets into informal, less regulated channels. This coincided with new government policies to raise taxes on registered businesses and formal sector employees and cut pension payments to address deficits. These increased costs pushed some companies and workers into the unregulated, informal sector. The effects of political and economic instability and violence also spilled over into trafficking of drugs, weapons, and illegal goods, and associated public corruption and money laundering.

Increased corruption and the lack of independence across government institutions, including the FAU, Nicaragua's FIU, continue to be of concern. In 2019, the U.S. Department of the Treasury's OFAC designated Laureano Ortega Murillo and Rafael Ortega Murillo, sons of Nicaraguan President Daniel Ortega and Vice President Rosario Murillo, for corruption, as well as Nicaraguan bank Banco Corporativo SA (BanCorp) and Nicaraguan Petroleum Distributor, pursuant to E.O. 13851. Neither the public prosecutor nor the FAU opened any investigations on sanctioned individuals. Banks report the FAU rejected SARS concerning businesses linked to the government's political party, the Sandinista National Liberation Front. The existence of multiple, non-transparent, quasi-public businesses that manage large cash transactions and a

proliferation of shell companies with ties to the ruling party increase the country's vulnerability to money laundering.

BanCorp managed \$2.5 billion in trusts from energy-focused conglomerate Albanisa, co-owned by the Nicaraguan government (49 percent) and the OFAC-sanctioned Venezuelan petroleum firm, Petroleum of Venezuela S.A. (51 percent). Following Bancorp's shutdown, trusts were transferred to Caja Rural National Savings and Credit Cooperative (CARUNA), Nicaragua's savings and loan cooperative. CARUNA's weak reporting regulations allow unreported transactions to exceed the \$10,000 FAU threshold reporting requirement. This poses the risk of leaking sanctioned funds into the financial system.

In 2019, there were 228 companies operating under FTZ status in Nicaragua.

The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for visa-free movement of citizens of these countries across their respective borders. While these persons can be subject to immigration or customs inspections, this agreement makes each participating country vulnerable to the cross-border movement of contraband and criminal proceeds.

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

In 2019, the National Assembly enacted reforms to Laws 976 and 977 on AML/CFT and to the FAU. Updated legislation includes lawyers and public notaries as reporting entities.

Nicaragua's AML/CFT laws mandate disclosure of beneficial owners. Financial institutions and DNFBPs follow CDD and STR requirements. Enhanced CDD for PEPs and transactions conducted with high-risk countries, designated by the UN Security Council, are included in the law.

Nicaragua is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/content/images/GAFILAT-MER-Nicaragua-2017.pdf>.

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

Although the government updated its AML legal framework, concerns remain the legislation is being inconsistently applied and the FAU used as a political tool. In 2018, nine NPOs that criticized the government's repressive tactics were stripped of legal status and accused of financing terrorism under AML/CFT laws.

In July 2019, Nicaragua granted citizenship to former El Salvadoran president Mauricio Funes, accused of corruption and money laundering. Funes, an advisor to the Foreign Ministry (MINREX) of Nicaragua, was the first case of asylum provided to a foreign PEP. Granting asylum to corrupted PEPs undermines AML/CFT effectiveness, encourages organized crime, and facilitates impunity while defying multilateral extradition treaty commitments.

AML/CFT legislation includes enhanced CDD for high-risk countries and individuals. In practice, the government has encouraged business dealings with Iran, despite FATF's inclusion of Iran in its Public Statement as a high-risk country .

Nicaragua applied for Egmont membership in 2014; the application remains pending.

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

MINREX reported in 2019 that authorities conducted 19 investigations and 13 prosecutions of money laundering-related cases, involving 42 persons; obtained 30 convictions; and seized \$8.7 million.

The effectiveness and implementation of Nicaragua's AML/CFT regulatory framework are hindered by the politicization of the FAU and the public institutions responsible for compliance. The government's focus on quelling opposition to its rule rather than combating organized crime and money laundering; corruption; and the increasing use of informal transactions and cash to evade international sanctions on the Ortega regime place Nicaragua's financial network at great risk of the proliferation of criminal networks.

## **Nigeria**

### **OVERVIEW**

Despite the various measures taken by the Nigerian government to combat financial crimes, Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Nigeria has made concerted efforts in recent times to address some of the challenges it faces implementing its AML/CFT regime.

The Nigerian Financial Intelligence Unit (NFIU) is the national AML/CFT coordinator for Nigeria.

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

Criminal proceeds laundered in Nigeria derive from corruption, foreign drug trafficking, various types of fraud, and other illegal activities. In Nigeria, money laundering occurs through the misuse of legal persons and companies, real estate investment, wire transfers to offshore entities, deposits into foreign banks, round tripping (reciprocal sales of identical assets), jewelry, bulk cash smuggling, and reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds. Money launderers within Nigeria have multiple avenues to move illicit funds, including the exploitation of legal entities, cash shipments via couriers, or money concealed in cargo for subsequent repatriation through foreign banks. Many conceal the origin of the money by placing cash in fictitious companies and overseas properties. Several factors raise the risk of drug money laundering through Nigeria, such as a predominately cash-based economy, gaps in the financial sector's implementation of regulatory standards, challenges collecting and accessing reliable beneficial ownership information, endemic corruption, porous



borders, and unregistered exchange houses.

With the introduction and widespread adoption of virtual currency, Nigeria will need to adopt strict rules to ensure this new form of currency does not become popular with money laundering organizations inside of Nigeria.

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

The Money Laundering Prohibition Act 2011 (as amended), the Terrorism Prevention Act 2011 (as amended), and the Economic and Financial Crimes Commission Act 2004 are key AML/CFT laws. The enactment of the Nigerian Financial Intelligence Unit Act 2018 resulted from Nigeria's adoption of the national risk assessment report. The Act ensures the independence of the NFIU and achieves its administrative reorganization as a separate agency from the Economic and Financial Crimes Commission (EFCC) with its own budget and ability to recruit staff and work independent of the EFCC. The NFIU pursues interagency cooperation to advance the Nigeria Anti-Money Laundering and Counter Financing of Terrorism National Strategy 2018-2020 through a number of AML/CFT-focused committees and bilateral relations with numerous agencies. Notable committees partners include the Central Bank of Nigeria and the Department of State Services.

Nigerian law imposes obligations on financial institutions and specified non-financial institutions to conduct KYC and submit reports on suspicious and other types of transactions. Legal persons are covered criminally and civilly. Nigerian law also provides for enhanced due diligence for both foreign and domestic PEPs.

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

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

The Proceeds of Crime Bill, 2017, which made provisions for the confiscation, forfeiture, and management of property derived from unlawful activities, passed both chambers of the National Assembly and was transmitted to President Buhari in May 2019. The president did not sign the bill. The bill lapsed with the ending of the legislative term and now would have to be reintroduced in both chambers of the National Assembly.

Nigeria's Special Control Unit against Money Laundering, (SCUML) is responsible for the supervision of DNFBPs regarding AML/CFT measures. A large percentage of DNFBPs have yet to register with SCUML, which lacks the resources and capacity to adequately monitor such a vast sector.

Nigerian banking sector vulnerabilities arise from lack of reliable beneficial ownership information and weaknesses in AML general controls and quality of supervision. The sector is also dealing with weaknesses and deficiencies in the quality of its CDD framework. The main deficiencies across financial and non-financial institutions include inadequate risk assessments, inadequate training and awareness among relevant staff, inadequate staff dedicated to the

compliance function, noncompliance with internal audit requirements, and failure to comply with reporting requirements. Additionally, a large number of exchange houses lack the required compliance frameworks and controls.

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

The core mandate of the NFIU is the receipt, analysis, and dissemination of financial intelligence reports. These reports are disseminated to law enforcement, security and intelligence agencies, and other relevant authorities for combating money laundering and associated offenses. The NFIU does not have an enforcement branch.

The Economic and Financial Crimes Commission Act of 2004 enables the EFCC to prosecute money laundering crimes. From January 1 to October 31, 2019, the EFCC conducted 6,528 investigations and 1,597 prosecutions, and successfully obtained convictions in 976 cases.

## **Pakistan**

### **OVERVIEW**

Pakistan's geographic location and porous borders with Afghanistan, Iran, and China make it vulnerable to narcotics and contraband smuggling. Pakistan's 2017 national risk assessment (NRA) identifies the largest risks associated with illicit finance as corruption, smuggling, drug trafficking, fraud, kidnapping for ransom, and extortion from businesses. The NRA also found the proceeds generated from major crimes in Pakistan are transferred overseas. The black market, informal financial system, and permissive security environment generate substantial demand for money laundering and illicit financial services.

Pakistan continues to work on its 2018 action plan. The Pakistan Tehreek-e-Insaf (PTI) party has taken anticorruption measures since coming to power in 2018, some of which have closed money laundering loopholes.

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

Money laundering occurs in both the formal and informal financial systems. Much of the informal activity occurs along the largely unregulated Pakistan-Afghanistan border. Due to their distance from urban centers and the lack of comprehensive regulatory oversight, border areas see illicit financial activity by terrorist and insurgent groups. In fiscal year 2019, the Pakistani diaspora remitted \$21.83 billion to Pakistan via the formal banking sector, up 9.6 percent from the previous year. Though it is illegal to operate an unlicensed MSB in Pakistan, the practices remain prevalent due to a lack of access to the formal banking sector, poor supervision and regulation, and a lack of penalties levied against illegally operating businesses. While many transactions are for legitimate purposes, the MSB operators are widely used to transfer and launder illicit money through neighboring countries.

Common methods for transferring illicit funds include fraudulent trade invoicing, use of MSBs, and bulk cash smuggling. Criminals exploit import/export firms and front businesses. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be cash-based and poorly documented.

Additionally, the Altaf Khanani money laundering organization (MLO), designated a transnational organized crime group by the United States, is based in Pakistan. The group is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers third-party money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with designated terrorist organizations.

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

In 2019, Pakistan took steps to correct deficiencies regarding the transparency and beneficial ownership of legal persons and arrangements. The Federal Board of Revenue (FBR) acted to operationalize the Benami Transactions (Prohibition) Act of 2017 by curbing transactions that obfuscate the true owner, domestically called "Benami" transactions, by issuing the Benami Transactions (Prohibition) Rules 2019. Additionally, the central bank issued a framework for managing TBML and terrorist financing risks in October 2019.

Pakistan issued the "National AML/CFT Strategy 2018" in response to its NRA. The strategy includes short, medium and long-term actions in six areas: general issues, legal, law enforcement, financial sector, governance, and international cooperation. It remains to be seen whether Pakistan will be able to fully implement this strategy within the allotted timelines.

The United States and Pakistan do not have an MLAT. However, both countries are parties to multilateral conventions that include mutual legal assistance (MLA) provisions. Extradition between the United States and Pakistan is governed by the 1931 U.S.-U.K. Extradition Treaty.

Pakistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://apgml.org/includes/handlers/get-document.ashx?d=389ff465-24a1-41cf-9ab9-27edc2e4c836>.

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

Pakistan's Control of Narcotic Substances Act 1997 (for the specific offense of laundering the proceeds of narcotic substances) restricts the acts of concealment or disguise to making false declarations.

MSBs continue to operate illegally throughout Pakistan, despite efforts to crack down on them. Additionally, authorities have failed to implement adequate control measures to curb bulk cash smuggling at borders and airports. There have been instances of staff of Pakistan's national airline being involved in bulk cash smuggling.

International experts highlighted the inadequacy of sanctions for money laundering. In particular, sanctions for legal persons and fines for general money laundering offenses are not proportionate and dissuasive, especially if a large amount of funds or high-value properties are involved.

Pakistan's FIU, the Financial Monitoring Unit, is not a member of the Egmont Group.

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

Pakistan has not established a formal central authority for handling foreign requests for MLA and extradition, often leading to untimely, inadequate, or no response at all to requests from the United States.

The current government promised to pursue funds untaxed or illicitly taken from Pakistan and held abroad. In one of the first cases using the OECD Convention on Mutual Administrative Assistance in Tax Matters procedures, the UK, acting on information provided by Pakistan, questioned a former bureaucrat in connection with using a hawala system to launder \$1.9 million out of Pakistan to the United States and UK through Dubai.

In December 2018, the Supreme Court of Pakistan ordered the creation of the Joint Investigation Team (JIT). In response to a JIT report, the Supreme Court referred concerns to the National Accountability Board about the National Bank of Pakistan and Omni Group chairman in the multibillion rupees money laundering scam also involving former president Asif Zardari. On December 24, 2018, the JIT indicated the Federal Investigation Agency identified 29 fake accounts that laundered \$270 million, using 11,500 bank accounts of 924 account holders. The investigation remains active.

## **Panama**

### **OVERVIEW**

Panama's geographic location; dollarized economy; status as a regional financial, trade, and logistics hub; and favorable corporate and tax laws render it attractive for money launderers.

High-profile international money laundering investigations, originated in Panama or elsewhere, have intensified scrutiny of Panama's vulnerabilities and ability to address illicit financial activity. Panama has agreed to address money laundering and terrorist financing deficiencies noted by international experts, including by strengthening its understanding of its national and sectoral money laundering and terrorist financing risk; strengthening DNFBP regulation and supervision; applying appropriate sanctions for violations; ensuring access to beneficial ownership information; and improving investigations and prosecutions of foreign tax crimes and money laundering in relation to high-risk areas.

President Cortizo took office July 1, 2019, and promptly established the Unit for Competiveness in International Services (UCSI) within the presidency to lead Panama's AML efforts and

coordinate the various agencies. The UCSI meets with President Cortizo weekly to provide progress updates. Since July 2019, Panama has drafted and introduced substantive AML legislation, including draft legislation to create a registry of registered agent and beneficial ownership information.

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

Money laundered in Panama frequently comes from illegal activities abroad, including drug trafficking, tax crimes, and the smuggling of people and goods. Panama is a drug transshipment country due to its location along major trafficking routes. Criminals launder money via bulk cash smuggling and trade at airports and seaports, shell companies, real estate and construction, casinos, virtual currencies, and the 12 active FTZs. Smuggling through ports may be facilitated by corruption.

Legal entities and arrangements created and registered in Panama, such as corporations, private foundations, and trusts, are at high risk for laundering activity. The use of nominee shareholders and directors is still prevalent, and Panama still lacks a mechanism to determine final beneficial ownership.

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

Legislation criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. Panama has comprehensive CDD and STR requirements.

Law 70, signed on January 31, 2019, criminalizes tax evasion and fraud of more than \$300,000 and defines tax crimes as money laundering predicates. However, the law includes an exception stating if the offender pays the tax obligation in full during the investigative phase, the criminal action against such offender would be dropped. Following international criticism of the unlimited exception provision, the Cortizo administration introduced a bill to amend Law 70 to allow an individual one use of the exception. As of December 2019, the National Assembly passed several amendments to the bill that are awaiting President Cortizo's signature. The \$300,000 prosecution threshold may also limit the effectiveness of investigations into laundering linked to lower amounts of taxes evaded.

In 2017, Panama published its first national risk assessment (NRA), which identifies FTZs, real estate, construction, and lawyers as high-risk sectors. Panama is updating its NRA to address terrorism financing risks. Authorities indicated the draft is expected to be completed in early 2020.

Panama is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-panama-2018.html>.

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

A lack of capacity to identify bulk cash shipments, inexperience with non-drug-related money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, an under-resourced judicial system, and corruption continue to hinder Panama's AML efforts.

Despite government efforts, Panama continues to lack sufficient resources, including trained staff, to effectively monitor compliance with reporting requirements. The government needs to enhance training, disseminate guidelines, and improve the quality and levels of STR/CTR reporting, particularly among high-risk sectors.

Regulators still cannot access STRs/CTRs routinely due to confidentiality laws. Banks often include minimal analysis in STRs, fearing liability; despite the criminalization of tipping off, some notify clients and/or bank executives and directors about investigations.

The Cortizo administration indicated it intends to propose a series of legal changes to grant independence to the FIU and the *Intendencia*, the supervisory body for DNFBPs. The *Intendencia* is under the authority of the Ministry of Economy and Finance, and relies on it for all budgetary and administrative support. On August 21, 2019, the ministry presented a bill to the National Assembly to create an independent "Supervisory Authority for Non-Financial Subjects," although the bill has not moved forward to debate. Panama's FIU reports to the presidency, leaving it vulnerable to political influence and dependent on the presidency for support; action has not yet been taken on the FIU's status.

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

The Colon Free Zone remains vulnerable to illicit financial and trade activities due to weak customs enforcement and limited oversight of transactions.

A series of MOUs between relevant institutions facilitates information sharing. One such MOU establishes an interagency process between the Ministry of Commerce and Industry and the banking supervisory authority to identify, sanction, and close illegal MSBs.

Law enforcement and judicial entities still struggle to be effective under the accusatory justice system, and lack of coordination has resulted in few successful investigations, prosecutions, and convictions, especially in non-drug related cases. Panama needs to provide additional financial investigative training to these entities and prioritize financial investigations beyond drug trafficking-related cases. Law enforcement needs more tools and protection to conduct complex investigations.

The Attorney General's Office should demonstrate that FIU reports are used to identify investigative leads and are efficiently shared with law enforcement, and the information is used in prosecutions.

## Paraguay

### OVERVIEW

Paraguay's economy returned to a growth trajectory after a brief economic recession early in 2019 as agricultural export revenue fell due to drought conditions and lower international commodity prices. The Tri-Border Area (TBA), comprised of the shared border areas of Paraguay, Argentina, and Brazil, is home to a multi-billion-dollar illicit goods trade, including marijuana cultivation and the trafficking of Andean cocaine and arms, which facilitates significant money laundering in Paraguay. The government has worked to reduce the criminal use of Paraguay's financial system to launder illicit proceeds by taking steps to address corruption, eliminate bureaucratic inefficiencies, and enhance interagency coordination. President Mario Abdo Benitez's administration has continued Paraguay's focus on these efforts, showing results in new legislation and arrests but modest outcomes in terms of implementation and convictions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering occurs in both financial institutions and the non-financial sectors. Vulnerabilities include a large number of unregistered exchange houses; the frequent use of cash; the use of false information to register businesses; lax regulation of import-export businesses, casinos, and MSBs; weak border controls; corrupt government agents; and insufficient oversight of a high volume of money transfers to Lebanon and China.

Transnational and local criminal organizations continue to take advantage of largely informal economies and lax border controls in Ciudad del Este and other TBA border towns to engage in TBML, narcotics and arms trafficking, goods smuggling and counterfeiting, and document forgery. Criminal organizations disguise the laundering of proceeds from these activities in the high flow of both counterfeit and legitimate goods sold into Brazil from Paraguay, often with the assistance of co-opted government officials.

Paraguay operates two FTZs in Ciudad del Este but does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina, Brazil, Chile, and Uruguay.

### KEY AML LAWS AND REGULATIONS

Paraguay has KYC and STR regulations applicable to a wide range of entities, and enhanced due diligence is required for PEPs,

Paraguay established the National Secretariat for Asset Forfeiture (SENABICO) in 2018. In 2019, the government reduced SENABICO's staff from 26 to 24 and cut its budget by 9 percent (\$713,000 to \$648,000). However, the amount of assets seized by SENABICO continues to grow. SENABICO has struggled to fulfill its mission due to non-cooperation from other government entities, such as the Solicitor General and judges, who are unfamiliar with SENABICO's mandate and unwilling to relinquish authority to SENABICO.

Paraguay passed ten significant AML-related laws in 2019. The laws include: the creation of criminal and appeals courts specialized in money laundering, narcotics trafficking, kidnaping, terrorist financing, corruption, and organized crime; the reallocation of proceeds from the sale of seized assets to government institutions involved in AML activities; the elimination of bearer bond holders; and the increase in maximum sentences for crimes involving terrorist financing and the proliferation of weapons of mass destruction.

There is no bilateral MLAT between Paraguay and the United States. Both are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at: <http://www.fatf-gafi.org/countries/n-r/paraguay/documents/mutualevaluationofparaguay.html>.

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

Paraguay struggles to investigate and prosecute complex money laundering cases within the statute of limitations, in part because of a disjointed AML regime, officials' lack of experience, judicial delays, and lack of interagency cooperation. Though the Central Bank of Paraguay (BCP) has authority to review banks for money laundering compliance (independent of Paraguay's FIU, the Anti-Money Laundering Secretariat (SEPRELAD)), the sanctioning regime is not effective, as SEPRELAD and the BCP have different guidelines regarding when an entity should submit a STR.

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

Paraguay continues to take steps to implement the 1988 UN Drug Convention and international AML standards. During 2019, Paraguay initiated several high-profile money laundering cases against multiple offenders. Authorities have conducted search warrants, and in some cases filed preliminary charges and formal indictments. As with past cases, the challenge will be seeing these cases to completion and conviction. The \$1 billion Megalavado case, opened in 2014, remains under investigation but without indictments or convictions.

SEPRELAD is working with the BCP to improve coordination on, and the quality of, STRs, of which banks submit the majority. As of June 2019, SEPRELAD received 10,262 STRs, a 63 percent increase over the first half of 2018. SEPRELAD subsequently referred 100 of the STRs to the Attorney General's office for criminal investigation. As of October 2019, SEPRELAD's Directorate of Financial and Strategic Analysis forwarded 115 intelligence reports and 39 financial intelligence reports to various Paraguayan authorities.

The Paraguayan government is focused on the passage of new laws, rather than implementing existing laws and pursuing money laundering convictions. Paraguay has achieved some examples of bilateral cooperation, like the recent extraditions to the United States of three fugitives charged with money laundering offenses in 2018 and 2019.

Paraguayan Customs continues to operate a TTU to combat TBML and other customs crime through the sharing and analysis of international trade data.



## Peru

### **OVERVIEW**

The Peruvian government identified \$1.75 billion in potentially illicit funds flowing through Peru from January to September 2019. Illegal mining produced over \$880 million in illicit proceeds from January to September 2019 and makes up 45 percent of all money laundered in Peru in the past nine years, by far the largest sector. Drug traffickers frequently launder profits through illegal mining activities and gold transactions.

The government implemented steps to strengthen its AML regime in 2019, including implementing a new law to improve oversight of savings and loan cooperatives, issuing regulations to implement its civil asset forfeiture law and creating 22 specialized asset forfeiture courts. Peru also continued implementing its 2018-2021 National Plan to Combat Money Laundering (National AML Plan).

Peru struggles to effectively enforce and implement its strong AML legal regime. Poor interagency coordination and limited information sharing impedes enforcement efforts, as well as lack of expertise, high turnover, and corruption within the justice sector. Weak regulatory enforcement and oversight of the small-scale mining sector continues to be a concern.

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

Illegal gold mining and logging, drug trafficking, and public corruption are the primary sources of illicit funds in Peru. State presence is limited outside of coastal areas and large population centers. Peru's challenging geography allows for the transit of large quantities of illegal goods, contraband, and cash across its borders and internally. Weak regulatory enforcement of the small-scale gold sector allows illegal gold to be mixed with licit gold in the supply chain.

Individuals and organizations typically funnel illicit funds through front companies, and many are engaged in illegal gold mining activities. Individuals or front companies also launder illicit funds through real estate, currency exchanges, credit cooperatives, auto dealing, virtual currency, and notaries.

Peru's gaming industry reported \$780 million in earnings in 2018 from 314 registered companies with 723 locations. Peru lacks adequate controls on the gaming sector, given the risks for money laundering. Of 15,736 reported suspicious transactions in 2018, 33 originated from the gaming industry. Peru completed a risk analysis of the gaming industry in 2019.

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

Peru has a robust AML regulatory framework, including the Law for the Efficient Fight against Money Laundering and other Crimes Related to Illegal Mining and Organized Crime, which establishes money laundering as an autonomous crime and KYC and STR requirements. Regulations define and require enhanced due diligence for PEPs.

Peru strengthened its AML framework in 2019 through the implementation of a new law that improves oversight of savings and loan cooperatives. Peru also issued regulations putting into force a law requiring disclosure of beneficial owners for business entities. Finally, Peru issued regulations for its new non-conviction-based asset forfeiture law, which allows authorities to seize and dispose of assets when the possessor cannot establish legal ownership.

The U.S. DEA participates in Peru's Money Laundering Task Force, which includes representatives from the Peruvian National Police (PNP), prosecutors, and the FIU. The DEA and PNP can share records in connection with narcotics investigations, while prosecutors request records through an MLAT for use in court.

Peru is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-peru-2019.html>.

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

The regulatory framework is generally strong. The government is receptive to recommendations from donors and international experts regarding potential improvements. Peru should improve its interagency coordination, such as by amending the FIU's authorities outlined in Law 27693. This law permits the FIU only to share its reports with public prosecutors.

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

Pervasive corruption hampers prosecutions of narcotics-related money laundering crimes. Political figures, judges, and legislators have been implicated in money laundering, creating an impediment to progress on reform. The Peruvian government estimates corruption generated \$67 million in illicit proceeds from August 2018 to July 2019.

Peru made modest improvements to ensure gains made in strengthening the AML regulatory framework result in increased prosecutions and convictions. However, high turnover of specialized prosecutors, poor training, a lack of expert forensic accountants, and corruption in the justice sector hinder enforcement efforts, and AML investigations for narcotics cases are rare. From January to June 2019, Peru convicted 11 individuals for money laundering and financial crimes. With the creation of new specialized courts, prosecutorial offices, and investigative units seven forfeiture sentences were handed down under the new asset forfeiture law as of November 2019, with more than 30 cases in process and more than 200 investigations ongoing nationwide. The government also began funding an interagency commission to implement the asset forfeiture system and added four new money laundering prosecutorial offices.

Peru lacks effective regulatory enforcement and oversight in the small-scale mining sector, which authorities identified as at risk for funneling profits from the narcotics trade. While illegal mining made up the largest percentage of all money laundering activity, Peru had no convictions for money laundering through illegal gold in the first half of 2019, and one conviction in 2018. However, in 2019, using asset forfeiture Peru seized five shipments of gold bars destined for the United States and India with a combined worth of over \$5.7 million.

## Philippines

### OVERVIEW

The Philippines' growing economy and geographic location within key trafficking routes place it at elevated risk of money laundering and terrorism financing. Recent growth in the online gaming industry also presents increased risk. Corruption and human trafficking constitute some of the principal sources of criminal proceeds. Insurgent groups operating in the Philippines derive funding from kidnapping for ransom and narcotics and arms trafficking. Additionally, the large volume of remittances from Filipinos living abroad increases the monitoring burden on AML authorities.

Despite the challenges, the Philippine government is improving its AML posture. The government took additional steps in 2019 to build the capacity of its FIU and interagency cooperation. The Philippines should build on the recent efforts to improve interagency coordination and seek to bolster its financial investigations and criminal convictions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

A May 2019 national risk assessment identifies environmental crime, trafficking in persons, kidnapping for ransom, and terrorism as the top predicate crimes for illicit funds generated abroad and smuggling and illegal drug trafficking as the top domestic sources of illicit funds. The banking sector remains the primary channel for money laundering followed by MSBs, including foreign exchange dealers, moneychangers, remittance centers, and pawnshops.

Terrorism, terrorist financing, corruption, and transnational organized crime are significant risks. These threats exploit the Philippines' cash and remittance-based economy, strict bank secrecy laws, numerous, largely unregulated charities, under-resourced authorities, and legislative and procedural hurdles impeding efforts to prevent, investigate, and prosecute money laundering. As a regional gateway, the Philippines is a choice transshipment point for illegal drugs and for other illicit activity through airports, seaports, and porous maritime borders.

Limited resources and coordination among regulatory bodies make it challenging to adequately monitor and supervise financial institutions. The Philippines has made considerable progress toward AML compliance by casinos, although DNFBPs are still in the early stages of compliance.

The Philippine Economic Zone Authority oversees approximately 300 economic zones, most of which are well regulated. Local government units and development authorities regulate multiple other free zones or freeports. Due to separate authorities of the security and customs officials monitoring these zones, law enforcement faces difficulty targeting organizations operating within them.

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## **KEY AML LAWS AND REGULATIONS**

In 2019, the Philippine Anti-Money Laundering Council (AMLC), the FIU and chief AML regulatory authority, updated its online registration and reporting guidelines to require MSBs and pawnshops to comply with DNFBP reporting requirements within six months of receiving a provisional certificate of registration. The AMLC also updated administrative rules allowing the imposition of sanctions on any AMLC employee in violation of the Philippine Anti-Money Laundering Act (AMLA) or refusing to comply with an AMLC order.

In late 2018, the Securities and Exchange Commission (SEC) stepped up registration requirements for NPOs to protect against money laundering and terrorist financing abuse.

KYC and PEP provisions largely comply with international standards, and the STR reporting regime is improving with the recent implementation of financial statistical software.

The Philippines and the United States have a bilateral MLAT.

The Philippines is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

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

Republic Act 1405, the Philippines' bank secrecy act, limits disclosures of and inquiry into financial information held at banking institutions within the Philippines. The act's strict guidelines impede law enforcement investigations and remain a significant deficiency in the current AML regime. Tax evasion, the falsification of public documents, and non-currency forgeries are not listed as predicate offenses to money laundering.

Philippine law limits the AMLC's investigative authority to money laundering and terrorist financing cases, not the underlying predicate acts, which must be investigated by other agencies. But these agencies, unlike AMLC, do not have authority to obtain bank records. AMLC's cooperation with other law enforcement agencies is minimal, limiting the flow of information and making it harder to connect the predicate act with the money laundering. Additionally, AMLC's authority to obtain bank records requires probable cause and is procedurally burdensome, requiring high-level agency approval and an order from the Court of Appeals in many instances.

Current legislation does not include real estate brokers and dealers in certain high-value items (such as automobiles, art, and antiques) as covered persons.

The single-transaction reporting threshold for gaming transactions remains high at \$100,000. The online gaming industry, which targets offshore players, has grown rapidly over the past three years, and authorities have expressed concern regarding potential money laundering through these operations, although there have been no money laundering cases related to online gaming.

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**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The AMLC and other competent authorities recognize that improving effectiveness in the implementation of the AML/CFT rules and regulations requires further interagency efforts. As of September 2019, the AMLC improved interagency coordination with law enforcement and intelligence units through multiple memoranda of agreement. From January to September, the AMLC filed 25 cases in civil and criminal courts, but successful convictions remain low relative to the risk profile in the Philippines.

Aside from the need to continue to implement and monitor the action plan under the National AML/CFT Strategy, including effective operation of the newly established National AML/CFT Coordinating Committee, the Philippines should focus on continuing to identify illegal remittance operations and execute sanctions, while ensuring effective risk mitigation and supervision of the gaming sector.

## **Russian Federation**

### **OVERVIEW**

Russia has developed a robust AML/CFT legal framework with Rosfinmonitoring, the FIU, at its center. Corruption, misappropriation and embezzlement of public funds, tax evasion, fraud, and drug trafficking generate significant amounts of proceeds. There is a large shadow economy approaching 13 percent of Russian GDP, although cash in circulation has declined from 12.4 percent of GDP in 2007 to less than 10 percent in 2019. Financial flows from illicit activity linked to Russia have threatened weak financial institutions in neighboring countries; however, criminal proceeds from Russia also make their way to global financial centers, often through opaque shell companies. To shield sanctioned Russian individuals and entities from the effects of financial sanctions, the Russian government softened some reporting requirements leading to a decrease in transparency. Although many Russian banks controlled by criminal factions have been closed, supervision over remaining institutions, including a significant portion of state-owned banks, is not wholly risk-based or adequate from an AML standpoint.

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

Official corruption at all levels of government constitutes one of the largest sources of laundered funds.

Russia is a transit and destination country for international narcotics traffickers, particularly from Afghanistan. Criminal elements use Russia's financial system and foreign legal entities to launder money. Criminals invest in and launder their proceeds through the banking sector, securities instruments, virtual currencies, precious metals, domestic and foreign real estate and construction, pension funds, and luxury consumer goods.

Cybercrime remains a significant problem, and Russian hackers and organized crime structures continue to work together. Although Russia has encouraged domestic development of

blockchain-based technologies and innovations, the Russian government does not have a consistent position on the regulation of virtual currency, which could be abused for money laundering purposes.

There is a large migrant worker population in Russia. Many remittances are sent through an informal value transfer system that may pose vulnerabilities for money laundering. Gaming is only allowed in specified regions. The FIU monitors casinos for AML/CFT compliance, while other agencies supervise other parts of the gaming sector. Online gaming is prohibited.

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

Russia's AML laws and regulations include the Federal Law on Combating Money Laundering and Terrorist Financing and numerous accompanying regulatory acts. Money laundering is criminalized in the Criminal Code of the Russian Federation. The Criminal Procedural Code provides a comprehensive set of rules, including those permitting international cooperation on money laundering investigations; and the Code on Administrative Offenses contains civil penalties for violations of AML requirements. Russia has KYC and STR requirements in place.

Russia conducted its first comprehensive national money laundering risk assessment in 2018 and adopted an AML action plan. The key findings of the NRA are publicly available.

The United States and Russia are parties to an MLAT.

Russia is a member of the FATF and two FATF-style regional bodies, MONEYVAL and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/documents/mer-russian-federation-2019.html>.

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

In 2018, the Finance Ministry unveiled the Comprehensive Russian Anti-Sanctions Plan, aimed at mitigating the impact of Western sanctions through various measures, including suspension of disclosure requirements with respect to sanctioned entities.

There is no corporate criminal liability in Russia. A bill providing for such liability has been stalled in the Duma since 2015. Currently, any breach of AML requirements is an administrative offense subject to a fine imposed on executives and on companies in question. In addition, the current version of the Administrative Code provides an opportunity to suspend corporate activities for AML violations for up to 90 days. At the end of 2018, Rosfinmonitoring drafted two amendments to the Russian Code of Administrative Offenses to significantly increase administrative fines for corporations for violation of Russia's AML/CFT legislation. The amendments have not yet been submitted to the State Duma.

Financial institutions are required to conduct enhanced due diligence on their relationships with some PEPs, but the national list is appointment-based, not based on key functions, and close associates of PEPs are not covered.

Russia's cash declaration system is only applicable at the external borders of the Eurasian Economic Union (EAEU), meaning currency can move undeclared across Russia's borders within EAEU borders.

Russia has a Uniform State Register of Legal Entities containing basic company ownership information (plus beneficial ownership information in applicable cases), and any legal person created under Russian law is required to maintain information about its beneficial owners. Banks also must collect beneficial ownership information, and the Federal Tax Service regularly strikes from the rolls companies identified as fictitious. Trusts cannot be created under Russian law, but Russians can be trustees and beneficiaries of trusts with little oversight.

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

In September 2018, Russia started sharing financial information under the OECD's Multilateral Competent Authority Agreement, joining the international fight against tax evasion. In 2018, Rosfinmonitoring prevented the laundering of approximately \$2.4 billion (153 billion rubles) through the Russian banking sector and the embezzlement of more than approximately \$172 million (11 billion rubles) in public procurement in the defense sector. The central bank revoked 60 credit institution licenses in 2018 and 23 bank licenses as of November 2019.

Since the imposition of financial sanctions against Russian officials, Russian government websites have severely restricted publicly available data and now publish only a fraction of the information previously available.

## **St. Kitts and Nevis**

### **OVERVIEW**

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. Its economy is reliant on tourism and its economic citizenship program, offshore financial services sector, corporate registries, and shipping registry. St. Kitts and Nevis is making progress in its AML regime.

The Financial Services Regulatory Commission (FSRC) (St. Kitts branch) is responsible for the licensing, regulation, and supervision of the non-bank financial sector in St. Kitts. As of September 2019, the regulated entities supervised by the St. Kitts Branch are two insurance managers, 48 trust and service providers, 16 domestic insurance companies, 11 MSBs, four credit unions, and one development bank. There is no recent information on the number of IBCs, limited liability companies, or trusts in Saint Kitts.

The FSRC (Nevis branch) is responsible for the licensing, regulation, and supervision of regulated persons and entities in Nevis that conduct fiduciary and international financial services businesses. As of September 2019, the regulated entities supervised by the Nevis Branch are 16 insurance managers, two international banks, 53 registered agents/service providers, three international insurance brokers, five MSBs, and 234 international insurance companies. FSRC

Nevis statistical bulletins reflect the establishment of 814 IBCs, 453 LLCs, 93 trusts, and 14 foundations in 2019.

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

International experts identified drug trafficking and fraud as the primary sources of illicit funds. Offshore sector financial oversight in Nevis could be more compliant with international standards. Strong secrecy and confidentiality laws continue to cover IBCs and trusts.

Bearer shares are authorized if the certificates are retained in the protected custody entities authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer and the certificate's beneficial owner.

Individuals are eligible for economic citizenship with a minimum real estate investment of \$200,000-\$400,000 for each main applicant, or through a \$150,000 contribution to the Sustainable Growth Fund. Applicants must make a source of funds declaration with supporting evidence. International contractors conduct due diligence on applicants. Applicants from North Korea, Iran, and Afghanistan are prohibited. An expedited, 60-day accelerated application process with additional fees is available, except for applicants from Iraq, Yemen, and Nigeria due to longer vetting turnaround times for applicants from those countries. Applicants can obtain citizenship for themselves, their spouse, dependent children up to 30 years old, and dependent parents aged 55 or older. Canada requires visas for St. Kitts and Nevis passport holders due to security concerns with some citizenship by investment passport holders.

While the Gaming Board is responsible for the general regulatory and supervisory oversight of gaming in St. Kitts and Nevis, the FSRC has limited responsibilities for AML/CFT supervision of casinos.

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

The AML legislation is at the federation level and covers both St. Kitts and Nevis. Each island has the authority to organize its own financial structure and procedures. The Proceeds of Crime Act (POCA), the Anti-Terrorism Act, the Financial Services Regulatory Commission Act, the Financial Intelligence Unit Act, the AML and CFT regulations, and the financial services (implementation of industry standards) regulations are the key laws and regulations.

St. Kitts and Nevis has KYC and STR regulations and enhanced due diligence for PEPs.

St. Kitts and Nevis is considering the adoption of model POCA legislation created by the Regional Security System Asset Recovery Unit for countries in the Eastern Caribbean.

St. Kitts and Nevis has an MLAT with the United States. In 2018, St. Kitts and Nevis reported assisting foreign jurisdictions with money laundering investigations and in the identification of possible proceeds of crime.



St. Kitts and Nevis is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-kitts-and-nevis-1/107-skn-3rd-round-mer/file>.

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

International experts have recommended improvement in the following areas: ensuring information is available in a timely fashion on all owners, partners, and beneficial owners of a partnership or company; and ensuring the availability of accounting information for such entities.

Nevis can form an IBC or LLC in less than 24 hours, and bearer shares are allowed, though discouraged, and must be held by an approved custodian.

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

St. Kitts and Nevis has helped foreign jurisdictions with money laundering cases, and the country arrested and brought charges against one person in 2019 (the first since 2015). Amending POCA legislation or using model POCA legislation may reinvigorate this process.

In July 2019, St. Kitts and Nevis formed a 13-member National Anti-Money Laundering/Countering the Financing of Terrorism (NAML/CFT) Committee with the Attorney General as the chairperson. Its mandate includes issuing operational guidelines to agencies, engaging public/private stakeholders, setting timelines for AML/CFT deliverables and tracking submissions, and developing policies and guidelines instrumental in maintaining the AML/CFT regime.

## **St. Lucia**

### **OVERVIEW**

St. Lucia's main source of revenue is tourism. St. Lucia made some progress on its AML regime.

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

As of November 2019, the St. Lucia Financial Services Regulatory Authority (FSRA) lists the following regulated entities on its website: 25 insurance companies, 16 credit unions, 12 international banks, 33 international insurance companies, and 13 MSBs. The FSRA's 2018 Annual Report indicates there were 3,812 IBCs incorporated on St. Lucia and 40 international trusts as of year end 2017.

IBCs can be incorporated in one day and nominee directors are allowed. In 2018 and 2019, the government adopted a number of amendments to the International Business Company Act and regulations. Per Amendment No. 13 of 2018, adopted on December 12, 2018, any IBC incorporated as of January 1, 2019 or later will be considered a "resident" company, able to do

business with residents, no longer exempt from taxes, and required to file an annual tax return based on unaudited financial statements. Additionally, IBCs must now maintain a register of beneficial owners, notification must be provided of any changes in beneficial ownership within a “reasonable” time period, and the register should be available to competent authorities. IBCs incorporated before December 31, 2018 will continue to be treated under the old law until June 20, 2021.

St. Lucia also amended its International Trusts Act (ITA) on December 12, 2018 to add a similar beneficial ownership register requirement and to allow competent authorities access to the register and other trust documents. On December 31, 2018, the government passed the International Trust (Repeal) Act, which will repeal the ITA as of June 30, 2021. The number of existing international trusts is not available.

St. Lucia reports drug trafficking as the primary source of illicit funds. St. Lucia’s geographic location and porous borders increase its risk of drug money laundering. Money laundering most commonly occurs through structured deposits and currency exchanges or cash real estate transactions. St. Lucia identifies jewelry dealers, legal services, and NPOs as additional sectors vulnerable to money laundering activity.

There is one FTZ operating in Vieux Fort.

St. Lucia’s citizenship by investment (CBI) program, launched in 2015, is the region’s newest program. An individual can apply for St. Lucian citizenship through a minimum donation to the National Economic Fund of \$100,000 per applicant, \$165,000 for an applicant and spouse, or \$190,000 for a family of up to four people. Other citizenship by investment options include a \$300,000 minimum purchase in real estate; a \$3.5 million investment for an individual, or \$6 million for more than one applicant in an approved enterprise project; or a government bond minimum purchase of \$500,000 for an individual, \$535,000 for an applicant and spouse, or \$550,000 for a family of up to four people. Applicants must apply through a government-approved local agent. An in-person interview is not required. Applicants must make a source of funds declaration and provide evidence supporting the declaration. International firms perform due diligence checks on applicants. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process. Applicants can obtain citizenship for dependent children up to 25 years old, disabled children of any age, and dependent parents. The chief executive officer of St. Lucia’s CIU also serves as the chairperson of the regional Citizenship by Investment Programs Association and has stated he intends to promote enhanced information sharing among EC CBI programs in order to strengthen the integrity of the programs.

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

St. Lucia’s main AML laws are the 2003 Money Laundering Prevention Act, as amended in 2005; the 1995 Proceeds of Crime Act, as amended in 2008; and the 2003 Anti-Terrorism Act, as amended in 2010.

St. Lucia has KYC and STR regulations. It also has enhanced due diligence for PEPs. The

Eastern Caribbean Central Bank regulates onshore commercial banks in St. Lucia.

There is an MLAT between the governments of St. Lucia and the United States.

St. Lucia is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-lucia-1/110-saint-lucia-3rd-round-mer/file>.

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

St. Lucia is generally in technical compliance with international standards.

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

Further AML/CFT awareness training is recommended to continue developing AML compliance and build on the progress St. Lucia has made.

## **St. Vincent and the Grenadines**

### **OVERVIEW**

St. Vincent and the Grenadines made some progress on its AML regime. The FIU has a good reputation in the Eastern Caribbean and cooperates regularly with the United States. In December 2017, the country began a national risk assessment.

St. Vincent and the Grenadines' economy is dependent on tourism and its offshore financial services sector. There are no FTZs or economic citizenship programs. Gaming is legal, but there are no casinos in operation. As of December 31, 2019, the St. Vincent and the Grenadines Financial Intelligence Unit (SVGFIU) reported there are 4,284 IBCs, 70 international trusts, 153 LLCs, three international banks, six credit unions, five international insurance companies, 15 registered agents, 52 mutual funds, 24 domestic insurance companies, 27 pension plans, 16 insurance agents, and two MSBs. IBCs can be incorporated in less than 24 hours from receipt of application. The International Business Companies (Amendment and Consolidation) (Amendment) Act enacted December 27, 2018 removes direct tax exemptions and stops further bearer share issuance by IBCs incorporated in the country.

The Financial Services Authority (FSA) is the regulatory body with the mandate to supervise the offshore financial sector, and the SVGFIU is the supervisory authority for DNFBPs.

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

Physical presence is not required for offshore sector entities and businesses, with the exception of offshore banks. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs, except for IBCs conducting banking functions. The government requires registration and custody of bearer share certificates

by a registered agent, who must also keep a record of each bearer certificate issued or deposited in its custody.

St. Vincent and the Grenadines reports drug trafficking, in particular of marijuana, is the main source of illicit funds. The country is the Eastern Caribbean's leading producer of marijuana, and narcotics are transferred via speedboats that pick up drugs at isolated beaches on the leeward side of St. Vincent or on uninhabited Grenadine islands. Couriers carry money through the airport, ports, or other points of entry. Sometimes money remitters are used to move funds.

The country has made efforts against drug trafficking by imposing strict penalties. It is also engaged with the Regional Security System to coordinate border control issues and is developing its Coast Guard to patrol the coastline. In December 2018, parliament passed legislation legalizing cultivation and use of marijuana for medical purposes.

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

St. Vincent and the Grenadines has comprehensive AML legislation and regulations, including the 2017 Proceeds of Crime (Amendment) Act and the 2017 Anti-Money Laundering Terrorist Financing Code. St. Vincent and the Grenadines has KYC and STR regulations. The 2017 Anti-Money Laundering and Terrorist Financing Code provides for enhanced customer due diligence and ongoing monitoring for PEPs. In December 2017, the FIU revised its standard operating procedures regarding receipt, processing, and handling of sensitive information and requests.

In 2019, the Proceeds of Crime (Amendment) Bill, Anti-Money Laundering and Terrorist Financing (Amendment) Regulations, Anti-Money Laundering and Terrorist Financing (Non-Regulated Service Providers) Regulations, Anti-Money Laundering and Terrorist Financing (Administrative Penalties) Regulations, Anti-Money Laundering and Terrorist Financing (Non-Profit Organizations) Regulations were drafted for approval by the Attorney General's office for subsequent presentation to parliament.

The government uses its Mutual Assistance in Criminal Matters Act to share information with the United States.

St. Vincent and the Grenadines is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/St.-vincent-and-the-grenadines-1/116-svg-3rd-round-mer/file>.

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

The government reports it is reviewing how to address gaps in the 2017 Anti-Money Laundering and Terrorist Financing Code. The country continues to consider a bill that would regulate DNFBPs to address noted deficiencies.

St. Vincent and the Grenadines should become a party to the UNCAC.

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**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

St. Vincent and the Grenadines prosecuted a money laundering and possession of criminal property case in May 2019, resulting in a guilty plea and conviction. A November 2019 money laundering and converting criminal property case is ongoing.

St. Vincent and the Grenadines reports that DNFBPs are a focal point for enforcement and implementation. To that end, the country drafted a DNFBP Action Plan for 2019. In August 2018, the FIU appointed a supervisor with the responsibility of overseeing DNFBP compliance.

In September 2019, St. Vincent and the Grenadines commenced a gap analysis with donor assistance. The analysis reviewed the present state of compliance with international standards, with a focus on those standards relevant to AML/CFT supervision by the Eastern Caribbean Central Bank, the FIU, and the FSA.

In June 2019, the SVGFIU expanded to include a supervisor of DNFBPs and a compliance officer to curtail the vulnerability of car dealers and other DNFBPs (real estate agents, casinos, jewelers, lawyers, notaries, accountants, and auditors) to money laundering activities, develop formal registration of DNFBPs, and take appropriate action against unregistered DNFBPs.

## **Senegal**

### **OVERVIEW**

Senegal's strategic coastal location makes it a regional business center for Francophone West Africa. Illicit proceeds are derived from both domestic and foreign crimes.

According to the money laundering national risk assessment (NRA), Senegal is exposed to risks from organized crime, drug trafficking, internet and other fraud, and a large informal, cash-based sector. Major sources of illicit proceeds include narcotics, trafficking in persons, illegal trade in wildlife and timber, and public corruption.

Senegal has drafted an AML/CFT strategy and action plan, which address the AML/CFT framework, DNFBP reporting obligations and supervision, procedural and sanctioning mechanisms, international cooperation, and AML/CFT metrics. The government also aims to expand financial inclusion.

Open issues include training for law enforcement, prosecutors, and judges; lack of a non-conviction-based forfeiture law; awareness-raising programs for stakeholders; designation of a DNFBP supervisor; and improved legislation on the management and disposal of seized property.

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## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Corruption and drug trafficking are the most likely sources of laundered proceeds. A spike in drug trafficking throughout the sub-region has undermined governance in some neighboring countries, spilling over and fostering criminality in Senegal. Senegal's proximity supports the development of trade routes for illicit goods and funds. Other predicate offenses include illicit trade in artisanal mining and car theft and smuggling. Illicit funds are transferred through Senegalese banks to offshore tax havens.

Real estate purchases and construction financing are often cash-based. Documentation of real estate ownership is scarce and unreliable, while real property transfers are often opaque. Improving the land administration system and mandating registration of all businesses could enhance transparency. Because of little to no oversight of money movements, legal and accounting professionals and the proliferation of NPOs are vulnerable to money laundering.

Unreliable identification mechanisms and the lack of computerized and centralized registers facilitate abuse of weak border controls. The transportation of cash, gold, and other assets through Senegal's international airport and across its porous borders are concerning.

The Senegalese diaspora remit more than \$1.64 billion annually. The widespread use of cash, MVTs, hawaladars, and new payment methods present money laundering vulnerabilities. Mobile payment systems, such as Wari and Joni-Joni, cater to unbanked Senegalese. Wari discontinued its implementation of KYC software due to problems with its platform. Resource constraints prevent effective AML supervision of these entities.

Touba is an autonomous municipality under the jurisdiction of the Mouride religious brotherhood. As the center of a worldwide network of Mouride communities, Touba is the destination for a significant portion of remittances. Wari recorded remittances of \$2 million per day shortly after opening a new service for Touba. These facts, combined with the national government's limited authority in the city, make Touba vulnerable to money laundering.

## **KEY AML LAWS AND REGULATIONS**

Senegal adopted the 2018 AML/CFT law, derived from the West African Economic and Monetary Union (WAEMU) uniform law, and the NRA, with its 2017-2019 action plan. The WAEMU uniform law contains deficiencies with respect to international AML/CFT standards that persist across WAEMU countries, notably on suspicious activity reporting and CDD. Senegalese authorities and financial institutions continue to rely heavily on the Central Bank of West African Countries.

In September 2019, Senegal issued three decrees. The decrees create the National Anti-Money Laundering Committee to strengthen domestic coordination, enhance supervision of DNFBPs, and reorganize the FIU as an autonomous entity.

Legislation introduces the legal concept of beneficial owners, a concept not previously recognized. The government is finalizing a decree to create a registry of beneficial owners of

legal entities. A draft decree to extend new supervision standards to NGOs is currently under consideration.

The United States and Senegal do not have a bilateral MLAT or an extradition treaty. Mutual legal assistance can occur through multilateral law enforcement conventions with applicable provisions or based on domestic law.

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

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

Remaining AML/CFT shortcomings include deficiencies in the full criminalization of terrorist financing, weaknesses in the forfeiture regime, an inadequate criminal code, and the lack of a dedicated asset recovery agency.

Most DNFBPs do not understand their AML/CFT obligations, and their implementation of preventive measures remains weak. The 2018 AML/CFT Law provides for the monitoring and supervision of DNFBPs, but authorities have limited ability to monitor compliance. In the absence of effective oversight, these entities lack the incentive and capacity to fulfill their obligations. Moreover, authorities have limited ability to establish the beneficial ownership of legal persons in a timely manner.

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

Senegal's legal framework is largely in place; however, opacity and the inability to trace certain transactions adversely impact the implementation of AML/CFT measures. Furthermore, the legal thresholds for cash payments are not always enforced in practice.

The absence of a risk-based approach to AML/CFT supervision prevents efficient allocation of available resources. AML actions are constrained by the absence of a coordination strategy between the investigative services and presiding magistrates. The effectiveness of investigators, prosecutors, and investigating judges is limited by the lack of specialization and training, financial and technical resources, and the clear prioritization of financial crimes. Gaps in the compilation of AML/CFT metrics further restrict the authorities' ability to evaluate the effectiveness of and improve AML efforts.

Successful implementation of the new National Strategy and Action Plan, which covers 2019-2024, is essential to make it effective. Senegal should strengthen the capacity of judicial authorities and AML/CFT investigators.

## Sint Maarten

### OVERVIEW

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions, with approval of the local parliament. Sint Maarten has been recognized by the OECD as a jurisdiction that has implemented internationally-agreed tax standards. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Sint Maarten.

On November 27, 2019, the CFATF issued a public statement asking its members to consider the risks arising from the deficiencies in Sint Maarten's AML/CFT regime. The statement followed CFATF's acknowledgement that Sint Maarten had not made sufficient progress to fulfill its action plan to address AML deficiencies, including legislative reforms.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Sint Maarten has 12 officially-licensed casinos serving a population of approximately 40,000 persons, up to 30,000 temporary residents, and the nearly two million tourists who visit annually. Some gaming houses have reputations as money laundering centers, albeit not so much for the criminal money of customers, but more for the owners and their contacts. Online gaming is legal, and Sint Maarten has offshore banks and companies.

Traditionally, money laundering occurs through business investments and international tax shelters. Sint Maarten's favorable investment climate and rapid economic growth over the last few decades drew wealthy investors to the island to invest in large-scale real estate developments, including hotels and casinos. Hurricane Irma destroyed many of those real estate developments. The government of Sint Maarten is working with the Netherlands and the World Bank on procuring services for reconstruction efforts. The World Bank's procurement process should mitigate some inherent money laundering vulnerabilities in large-scale government procurement.

### KEY AML LAWS AND REGULATIONS

KYC laws cover banks, lawyers, insurance companies, casinos, customs, money remitters, the central bank, trust companies, accountants, car dealers, administrative offices, tax administration, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers.

The government increased the reporting threshold for cash coming into and leaving Sint Maarten to approximately \$14,000 (Netherlands Antillean guilder (Naf.) 25,000) up from the current amount of approximately \$11,000 (Naf. 20,000) and now includes precious metals, jewelry, and rare objects of high value.



The Kingdom may extend international conventions to the autonomous countries. The Kingdom extended to Sint Maarten the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each autonomous entity can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, if these MOUs do not infringe on the foreign policy of the Kingdom. Sint Maarten is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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

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

Sint Maarten has yet to pass and implement legislation to regulate and supervise its casino, lottery, and online gaming sectors in compliance with international standards. In addition, the threshold for conducting CDD in the casino sector does not comply with international standards.

The UNCAC has not yet been extended to Sint Maarten. International regulations on combatting money laundering and the financing of terrorism activities met resistance from Members of Parliament.

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

The National Ordinance Reporting Unusual Transactions has an "unusual transaction" reporting system. Covered entities are required to file unusual transaction reports with the FIU on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe a transaction relates to money laundering. If, after analysis of an unusual transaction, a strong suspicion of money laundering arises, those suspicious transactions are reported to the public prosecutor's office.

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

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest in the Caribbean islands. The seaport and the airport are recovering from the aftermath of 2017's Hurricane Irma. Larger container ships dock their containers at the container facility, where they are picked up by regional feeders to supply the smaller, surrounding islands. Customs and law enforcement authorities are alert for regional smuggling, TBML, and value transfer schemes. In June 2017, Sint Maarten police arrested the port director after an investigation into forgery, money laundering, and tax evasion. This case is ongoing. In February 2019, police arrested another MP after an investigation into corruption, money laundering, and bribery in the construction sector. In June 2019, the court sentenced the airport chief of security to 18 months

and a \$10,000 fine in a case involving accepting of bribes, money laundering, and complicity in violation of the duty to register foreign exchange.

## Spain

### **OVERVIEW**

Spain proactively identifies, assesses, and understands its money laundering vulnerabilities and works to mitigate risks. Organized crime groups based in Africa, Latin America, and the former Soviet Union use Spain as a logistical hotspot. Illicit drugs entering Europe from North Africa and South America use Spain as a transshipment point. Spain largely complies with international AML standards and, in general, has updated AML regulations and competent authorities.

The government continues to build on its already strong measures to combat money laundering. In 2018, Spain approved measures to modify its money laundering legislation to comply with the EU's Fourth AML Directive. In November 2019, Spain joined five other EU member states to call for the establishment of a new supervisory authority to lead the bloc's AML efforts as well as updated AML regulations.

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

Law enforcement authorities have identified a trend of drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities. Despite significant law enforcement efforts, Spain is a transshipment point for the cross-border illicit flows of drugs. Moroccan hashish and Latin American cocaine enter the country and subsequently are distributed and sold in Europe, with some of the resulting proceeds often returned to Spain. Passengers traveling between Spain and Latin America reportedly smuggle sizeable sums of bulk cash in both directions. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia.

The most prominent means of laundering money are through real estate purchases and sales, the use of complex networks of companies and contracts, the exploitation of MVTs, and the use of cash couriers. The major sources of criminal proceeds are drug trafficking, political influence and foreign corruption, organized crime, customs fraud, human trafficking, and trafficking in counterfeit goods. Illicit proceeds are primarily invested in real estate in the coastal areas in the south and east of Spain, but criminal groups also place money in other sectors, including services, communications, automobiles, artwork, and the financial sector.

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

Spain's current AML/CFT law entered into force in 2010. All associated implementing regulations entered into force in 2014. The country has comprehensive KYC and STR regulations, and PEPs are subject to enhanced due diligence.

Spain is a member of the FATF. Its most recent MER is available at: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-spain-2014.html>

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

Spain is largely compliant with international AML/CFT standards, and one of the most technically advanced jurisdictions in the world. However, Spain can do more to encourage NGOs to use regulated financial channels.

Information about AML fines in Spain is not made available to the public.

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

Spain has improved the effectiveness of supervision of lawyers, real estate agents, and other non-financial businesses and professions for AML/CFT purposes.

Spain actively investigates and prosecutes money laundering cases, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

In 2019, a court in the southern Spanish region of Andalusia found two former political figures guilty of corruption-related financial crimes in a far-reaching scandal known as the "ERE Case." Named after the Spanish term for a collective dismissal procedure (*expediente de regulación de empleo*), the probe involves allegations of illicit payouts from a financial fund set up by the regional government to help struggling firms make severance payments to laid-off workers. Also in 2019, Europol assisted Spanish law enforcement efforts to break up an international criminal organization that provided large-scale virtual currency money laundering services to other criminal organizations. As part of its investigation, the Spanish Guardia Civil seized assets, froze bank accounts, arrested eight individuals, and charged eight more for involvement in the virtual money laundering ring.

As part of efforts to counter the laundering of illicit funds from Venezuela, Spanish police, in May 2019, raided properties associated with a former Spanish Ambassador to Venezuela as part of an investigation into alleged money laundering of more than \$4.4 million through Venezuelan state-run oil company Petroleum of Venezuela S.A.

## Suriname

### OVERVIEW

Money laundering in Suriname is linked with transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. Casinos, real estate, foreign exchange companies, car dealerships, and the construction sector remain vulnerable to money laundering due to lax enforcement of regulations, though Suriname's FIU has increased its engagement with DNFBPs. Public corruption also contributes to money laundering. Profits from small-scale gold mining and related industries fuel a thriving informal sector. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Suriname has an adequate legal framework for more robust AML enforcement, but a lack of coordination, training, and implementation hampers efforts. There are indicators that TBML occurs, generally through the activities of local car dealerships, gold dealers, and currency exchanges (cambios).

Supervision of DNFBPs remains limited. There is no effective supervision of the large casino sector. A new director was appointed in May to take over the inactive gaming board. The Ministry of Justice and Police is currently hiring personnel to carry out these oversight activities and is collaborating with the Gaming Board of Curacao for best practices.

Money laundering may occur in the formal financial sector through banks and cambios, though there is no evidence the sector facilitates the movement of currency from illegal drug sales in the United States. Local drug sales in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

Goods such as agricultural products, fuel, cigarettes, alcohol, and medicine are smuggled into the country via neighboring Guyana and French Guiana and sold at below-market prices, but there is little evidence to suggest this smuggling is funded by narcotics trafficking or other illicit activity.

### KEY AML LAWS AND REGULATIONS

Suriname did not pass or amend AML legislation in 2019. Suriname is drafting amendments to the Disclosure of Unusual Transactions Act to meet international standards. KYC and STR requirements cover banks and credit unions, asset managers, securities brokers and dealers, insurance agents and companies, currency brokers, remitters, exchanges, auditors, accountants, notaries, lawyers, real estate agents, dealers in gold or other precious metals and stones, gaming entities and lotteries, and motor vehicle dealers. The FIU registered 118 new DNFBPs and is taking steps to join the Egmont Group. In March 2019, President Bouterse signed a resolution requiring government agencies to cooperate with the national risk assessment (NRA) process.

In October, the FIU added updated guidelines for reporting unusual transactions/suspicious transactions.

The exchange of records between Suriname and other countries is possible via individual MOUs and mutual legal assistance requests. .

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

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

Suriname must complete a NRA.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, PEPs.

Suriname is not a member of the Egmont group. The Government of Suriname is not party to the UNCAC.

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

The case of the approximately \$21.5 million (€19.5 million) Central Bank of Suriname (CBvS) cash shipment confiscated by Dutch authorities in April 2018 is ongoing. An initial verdict was delivered on December 24, 2019. A court in Holland ruled in favor of the CBvS and ordered the Netherlands' Prosecutors' Office to release the money. The court ruled the CBvS, as sender of the funds, has immunity under international public right and the funds could therefore not be confiscated. Although it was ordered to release the funds, the Prosecutors' Office announced the investigation into money laundering will continue regarding three commercial banks and five cambios. During an initial public hearing, Dutch prosecutors presented documents that suggest Surinamese commercial banks and cambios may have laundered approximately \$82.6 million (€75 million) from 2017-2018. Since the April 2018 seizure, Surinamese banks have instituted rules on identifying the source of large cash deposits and limiting deposits of high-denomination currency. Cambios have begun enforcing proof of identity. To deter cash transactions, banks are promoting wire transactions and have introduced mobile services and increased administrative costs for cash transactions.

With donor assistance, Suriname strengthened reporting and enforcement mechanisms and began work on a NRA. The FIU has continued outreach activities, registration, and inspections of DNFBPs. It is developing further technical skills through training, including a long-term program provided by an international donor. During this period, 1,349 of the over 221,000 STRs led to an investigation, an increase of 347 cases compared with last year but still only a 0.6 percent investigation rate.

From January-October 2019, there was one prosecution for money laundering.

# Tajikistan

## OVERVIEW

Money laundering associated with Tajikistan's drug trade remains a particular concern. Tajikistan lies on a major drug smuggling route connecting Afghanistan with Russian and Eastern European markets. In addition, a substantial amount of cash entering financial institutions in the country stems from pervasive corruption in Tajikistan, including bribes obtained from the drug trade.

## VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The main northern drug trafficking route from Afghanistan runs through Tajikistan. A 2018 UNODC report estimates that 42 to 74 tons of heroin left Afghanistan along the northern route annually between 2011 and 2015, much of it transiting Tajikistan. Large drug transshipments generate equally large amounts of cash, which require economic safe havens. Widespread corruption in the country allows criminals to circumvent Tajikistan's money laundering laws – which often meet international standards – with bribes or other in-kind incentives.

Drug smuggling generates substantial amounts of illegal funds in Tajikistan, but it is difficult to identify mechanisms that criminal organizations use to launder these funds. Tajik law enforcement officials believe criminal groups often launder illicit proceeds through Tajikistan's banking sector. Real estate transactions may also serve as mechanisms for laundering money. The popularity of cash transactions in the informal economy also represents a potential vulnerability, although statistics on financial inclusion rates vary considerably.

Rampant corruption and bribery have deterred foreign investment and inhibit the success of local businesses.

There are four established economic free zones in Tajikistan, primarily designated for manufacturing. It is not known what, if any, role the zones play in national or international money laundering.

## KEY AML LAWS AND REGULATIONS

In 2018, President Rahmon approved the AML/CFT National Action Plan (NAP) for 2018-2021, which mandates that all relevant government agencies develop their own AML/CFT plans.

The country has a capable legal framework in place to deal with money laundering, including KYC and STR requirements; however, some areas still need attention, such as remittances, which, according to the World Bank, represent 31 percent of Tajikistan's GDP. In 2019, the National Bank of Tajikistan (NBT) established procedures to centralize remittance collection, ostensibly to enhance supervision of the \$2.5 billion remittance market. As a result of the National AML/CFT/Proliferation Financing Strategy passed in 2018, the NBT increased its requests to donors for technical assistance to the Bank's formal AML/CFT training center.

Tajikistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: [https://eurasiangroup.org/files/uploads/files/MER%20of%20Tajikistan\\_2.pdf](https://eurasiangroup.org/files/uploads/files/MER%20of%20Tajikistan_2.pdf).

On March 29, 2019, President Rahmon signed a resolution codifying the procedure for freezing financial assets or property of individuals and organizations included on the list of persons associated with terrorism. Tajikistan's State Committee for National Security is the designated entity for implementing the new resolution.

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

Tajikistan could improve AML/CFT oversight of the banking NPO sector. Overall, the government has a poor track record of uncovering money laundering in the private sector. The government also needs to engage non-financial businesses and DNFBPs to improve awareness of money laundering risks and their legal obligations, while promoting a better understanding among decision makers of the risks money laundering poses to society.

The Tajik government and law enforcement authorities have a limited ability to trace and confiscate assets identified in investigations.

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

It remains difficult to assess the effectiveness of money laundering investigations in Tajikistan. The NBT's Financial Monitoring Department (FMD) has not yet published statistics about money laundering investigations in 2019. Critics maintain that appeasing the international AML community remains a larger motivator than genuine AML/CFT enforcement.

Tajikistan's FMD acts as the FIU, but is not considered a law enforcement body. The FMD has increased hiring in order to improve supervision and analytics, but would benefit from better training and equipment upgrades. Overall, the FMD has a good understanding of money laundering risks in Tajikistan, and law enforcement authorities note the FMD is effective in international information sharing and provides quality information to law enforcement officials.

Tajik law enforcement has not made money laundering a priority; money laundering charges arise only as an additional element stemming from a predicate offense. It is generally believed law enforcement has a good understanding of the risks of terrorist financing, but has limited understanding of, and dedicates less attention to, money laundering risks.

Tajikistan has the laws and capacity to confront money laundering, but corruption and lack of political will hinder its efforts. The government should take action to reduce corruption by developing and fully implementing a comprehensive anticorruption strategy, which would help deter money laundering.

## Tanzania

### OVERVIEW

Tanzania is vulnerable to money laundering and financial crimes due to its underdeveloped financial sector and limited capacity to address such criminal activity. Money laundering laws are used as political tools, which dilutes their efficacy in combating crime. Criminal activities with nexuses to money laundering include transnational organized crime, tax evasion, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, and wildlife trafficking. There are Tanzanian links to regional terrorist financing.

In 2019, Tanzania updated its AML regulations to include stricter KYC requirements and requirements for reporting entities to carry out money laundering and terrorist financing risk assessments and enhanced due diligence. In September 2019, Tanzania's central bank, the Bank of Tanzania, fined five commercial banks over \$800,000 for noncompliance with these regulations. Despite high-profile arrests for money laundering, there are very few convictions.

On September 22, 2019, President Magufuli called for "amnesty" for those accused of money laundering and other economic crimes, in exchange for a guilty plea and fines. Tanzania should commit to enforcing money laundering-related laws in an even and transparent manner and continue to build the human and technical capacities of the judiciary, financial supervisors, law enforcement, customs, and tax authorities.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Tanzania's large, porous borders and geographic location present challenges in combating financial crime. The vast majority of Tanzanians work in the informal sector, and thus use cash-based, informal, and nontraditional financial systems. Over the past three years, the Tanzania Revenue Authority (TRA) drastically increased efforts to collect taxes, often using aggressive tactics and levying arbitrary assessments. This has motivated businesses and individuals, especially international traders, to transfer more money outside the formal financial system to avoid taxation. However, criminals exploit these same methods of moving money.

Cross-border trade in used-cars, auto parts, clothing, cosmetics, and smuggled cigarettes and foodstuffs are of particular concern, along with illegal trade in precious minerals and stones. Furthermore, front companies, hawaladars, and currency exchanges are used to launder funds, particularly in Zanzibar. Two busy international seaports and several smaller ports service Tanzania and the region and create opportunities for TBML. Foreign investment in the tourism sector in Zanzibar and real estate in both mainland Tanzania and Zanzibar is also used for money laundering. In April 2019, Tanzania published its national risk assessment (dated December 2016) on money laundering and terrorist financing, covering the period of 2010-2015; the report identifies the same broad sectors outlined in this paragraph as high risk.

### KEY AML LAWS AND REGULATIONS

The Government of Tanzania issued new regulations pertaining to money laundering and



financial crime in 2019. The May 24 Anti-Money Laundering (Amendment) Regulations of 2019 introduce stricter STR requirements, KYC identity document requirements, comprehensive CDD, requirements to carry out money laundering and terrorist financing risk assessments, and increased fines for noncompliance. The June 7, 2019 Foreign Exchange Regulations tighten supervision of foreign exchange bureaus and make it more difficult to obtain a license. In November 2019, Parliament passed the Miscellaneous Amendments Bill No. 7, which includes an amendment to the Prevention of Terrorism Act to enable the Minister of Home Affairs to make regulations on the prohibition of terrorism financing. These regulations should be forthcoming in 2020.

Other relevant legislation and regulations include the Criminal Procedure Act, Economic and Organized Crime Control Act, Mutual Legal Assistance in Criminal Matters Act, and Proceeds of Crime Act. The law allows for the execution of foreign mutual legal assistance (MLA) requests and enforcement of foreign forfeiture orders, but still do not provide for asset sharing. Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Zanzibar has its own Anti-Money Laundering and Proceeds of Crime Act and Regulations. Both mainland Tanzania and Zanzibar have KYC and STR regulations, which also carry strict noncompliance penalties.

Tanzania is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: [https://www.esaamlg.org/index.php/Countries/readmore\\_members/Tanzania](https://www.esaamlg.org/index.php/Countries/readmore_members/Tanzania).

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

Tanzania has strengthened its AML regulations, yet deficiencies remain. Policy coordination within the government and consultation with the private sector and stakeholders are weak. Tanzania has yet to establish a database of MLA statistics. Additionally, authorities still have failed to address problems related to non-conviction-based forfeiture. Regulations provide for a risk-based approach (RBA) to CDD requirements; however, reporting institutions largely have yet to implement an RBA. Improvements to legal frameworks on financing terrorism and proliferation, TBML, mobile money, and cryptocurrencies are necessary.

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

Tanzania has limited capacity to implement money laundering laws and to supervise the banking sector. Tanzania should increase awareness of money laundering issues within the financial, law enforcement, and judicial sectors and allocate the necessary human, technical, and financial resources to update and implement a national AML strategy. Tanzanian authorities must ensure existing AML laws and regulations are enforced and applied in the spirit in which they are intended, not as a political tool, with a focus on convicting criminals engaged in money laundering and financial crime.

## Thailand

### OVERVIEW

Thailand is emerging as a logistics and financial hub within Southeast Asia. The country's porous borders and uneven law enforcement make it vulnerable to money laundering, drug trafficking, and other categories of transnational crime. Thailand is a source, transit, and destination country for illicit smuggling, trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country's informal financial channels.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Funds from various illegal industries are transported across Thailand's four land borders and through airports and seaports. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of criminal enterprises. Unlicensed and unregulated hawala brokers serve Middle Eastern travelers by transferring money through their own honor-based channels rather than formal financial instruments. Unregulated Thai and Chinese remittance systems are also prevalent.

### KEY AML LAWS AND REGULATIONS

Thailand's Anti-Money Laundering Act (AMLA) has been amended several times since its initial passage in 1999, broadening the overall scope of criminal liability and increasing powers to conduct investigations and make seizures. Tax offenses, terrorism, and proliferation are money laundering predicate offenses.

AMLA Section 22 includes KYC and STR requirements. The Anti-Money Laundering Office (AMLO) acts as the country's FIU. It is responsible for supervision of all reporting entities and is the key AML/CFT enforcement agency. Financial institutions are required to keep customer identification and financial transaction data for five years from termination of relationship. They must also keep due diligence records for ten years. Penalties for violating reporting requirements can include potential asset seizure.

Thailand has varying reporting requirements for the import and export of currency. At airports, amounts exceeding approximately \$15,000 (450,000 Thai baht) must be declared to Customs. Approval from the Bank of Thailand is required to take Thai currency (cash) in amounts exceeding approximately \$1,700 (50,000 Thai baht) out of the country. The threshold is higher at approximately \$61,500 (2 million Thai baht) for Thai currency destined for Cambodia, Laos, Burma, Vietnam, Malaysia, and China's Yunnan province. For fund transfers to commercial banks, foreign (non-Thai) currency can be transferred into Thailand without limit. However, the deposit must be transferred into an authorized bank and either be exchanged into Thai baht or held in a foreign currency account.

In March 2018, Thailand issued the Digital Asset Business Decree to regulate the offering of digital assets and bring the operations of crypto exchanges and intermediaries under the supervision of the Thai Securities and Exchange Commission (SEC). In May 2018, the SEC issued a decree regarding digital assets business operators. The royal decree covers cryptocurrencies, digital tokens, and any other electronic data unit, as specified by the SEC. Exchanges, brokers and dealers are required to apply for licenses from the Finance Ministry, and the SEC must approve initial coin offering portals. The SEC is considering amendments to the May decree.

Thailand is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=thailand>.

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

Thailand has numerous unlicensed, unregulated informal remittance systems. The AMLA's compliance regime should be applied more strictly to these money service businesses to deter their use as money laundering vehicles.

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

Operationally, Thai government authorities continue to utilize the AML regime to focus on non-conviction-based asset seizure and forfeiture, as well as criminal enforcement. The AMLO is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. The AMLO has exercised its authority to seize assets in a number of suspected human trafficking cases. From January to October 2019, there were 138 prosecutions and 136 convictions. In 2018, there were 195 prosecutions and 164 convictions.

The United States and Thailand have a MLAT in place. Thailand actively shares information with international partners, including the United States, through the Egmont Group process. Thailand has some difficulty sharing information with jurisdictions that require separate MOUs outside of the Egmont Group.

## **Trinidad and Tobago**

### **OVERVIEW**

Trinidad and Tobago's geographic location in the Southern Caribbean, developed financial systems, and its use by criminal organizations as a transshipment point for narcotics and other illicit goods make it vulnerable to money laundering.

In November 2017, Trinidad and Tobago developed an action plan to address deficiencies in its AML regime noted by international experts. Throughout 2019, Trinidad and Tobago continued to make progress on this action plan.

Trinidad and Tobago continued efforts to strengthen its legislative, law enforcement, and judicial

capacities to enforce its AML regime. As a result, four persons were convicted or pled guilty for money laundering offenses after many years without a successful prosecution. However, vulnerabilities related to the country's slow judicial system, prevalence of drug trafficking, corruption, and illegal gaming are reasons for concern. Sustained political will, continued legislative and institutional reforms, including full implementation of laws and regulations, and adequate resources to detect, investigate, and prosecute money laundering-related offenses, are needed to ensure the proper enforcement of Trinidad and Tobago's AML regime.

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

Due to the country's proximity to Venezuela and its position as a regional hub for commercial air and shipping, criminal organizations use Trinidad and Tobago for the transshipment of narcotics and other illicit goods, creating significant monetary flows through the country. The country's relative wealth and well developed financial sector increase the risk of money laundering. Along with proceeds from illicit trafficking, fraud, tax evasion, corruption, and illegal gaming are among the most common sources of laundered funds. There are indications that persons commingle funds between personal and business accounts or use remittance services, gaming institutions, and commercial and retail businesses to launder funds.

Although public casinos and online gaming are illegal, "private members' clubs," which operate as casinos and move large amounts of cash, exist throughout the country. Illegal lottery operations, which mirror the country's legal lottery, but whose payouts are untaxed, are also rampant.

There are FTZs in Trinidad and Tobago, but the 15 companies operating in these zones produce less than 10 percent of total exports. Trinidad and Tobago does not have an offshore banking sector, nor an economic citizenship program. Regulators have noted an increasing use of virtual currencies, but they remain unregulated.

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

Trinidad and Tobago has comprehensive CDD and STR regulations and requires enhanced due diligence for PEPs.

Trinidad and Tobago passed legislation in 2019 regulating NPOs, including subjecting NPOs to oversight by the country's FIU. Trinidad and Tobago also passed legislation to allow for non-conviction-based asset recovery and "unexplained wealth" orders, though a new agency must first be created before civil asset recovery is fully operational. The country also passed amendments to its Companies Act, improving the adequacy and accuracy of beneficial ownership information.

Trinidad and Tobago is party to a MLAT with the United States. In 2019, the government issued a regulation to prioritize all requests for mutual legal assistance.

Trinidad and Tobago is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/member-countries/trinidad-and-tobago>.

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

Criminal prosecutions take years, sometimes over a decade, to be resolved, and successful prosecutions of money laundering cases, while increasing, are still rare. The lack of timely prosecutions has a corrosive impact on AML efforts and encourages others to engage in financial crimes.

The current government has passed several laws, including the introduction in 2019 of plea bargaining and judge-only trials, created new courts, and improved technology to reform the justice system and reduce the time needed to dispose of criminal cases. Proper implementation of these changes will take time and sustained political will and resources.

While Trinidad and Tobago's parliament approved amendments to the country's public procurement laws in 2017, those changes are still not fully implemented. Legislation to more comprehensively regulate the gaming industry remains pending despite government statements in late 2018 that a law first introduced in 2016 would be passed and implemented in 2019.

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

In 2017, Trinidad and Tobago made a high-level political commitment to strengthen the effectiveness of its AML regime and address identified deficiencies. In 2019, Trinidad and Tobago continued to make progress on its action plan, subject to the sustained implementation of the reforms.

As part of a broader restructuring, the Trinidad and Tobago Police Service merged several units into a Financial Crimes Division. Money laundering charges increased year-over-year. Through August 2019, 17 persons were charged for money laundering offenses and four persons were convicted or pled guilty, the first such successful prosecutions for money laundering in several years.

# **Turkey**

## **OVERVIEW**

Turkey's strategic location between Europe and Asia, its significant trade with both continents and with the United States, and its commercial relationships and geographical proximity to politically turbulent and undemocratic countries make Turkey vulnerable to illicit finance risks. Recent conflicts on Turkey's southern border have also increased illicit finance risks. Turkey is a hub for licensed and unlicensed money remitters, many of which serve the approximately 4 million refugees in Turkey. To confront illicit finance risks, Turkey's criminalization of money laundering and its legal authority for asset forfeiture are in line with international standards; however, Turkey continues to have few effective money laundering prosecutions and forfeiture actions. Most forfeiture is focused on a group that poses a political threat to the ruling party.

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## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

As a gateway to Europe, Turkey is part of the Balkan drug trafficking route used to smuggle illegal opiates from Afghanistan through Iran into Western and Central Europe. It also is a conduit for smuggling weapons into Syria, smuggling migrants out of Syria, and human trafficking. In 2019, Turkish authorities reported uncovering the largest human smuggling ring in Europe. Authorities also cite alcohol, fuel, and tobacco smuggling as money laundering predicate crimes. According to U.S. law enforcement, Turkey is a destination for illicit proceeds from cyberfraud perpetrated in the United States. In 2019, Türkiye Halk Bankasi (Halkbank), a majority state-owned bank in Turkey, was indicted in the United States on charges of fraud, money laundering, and participation in a multibillion-dollar scheme to evade U.S. sanctions on Iran.

Front companies and shell companies are misused to disguise illicit proceeds as legitimate income. Individuals and businesses operate as unlicensed money remitters, using their bank accounts to move illicit proceeds through the financial system. Unlicensed money remitters also move cash in bulk into and out of Turkey. Turkish authorities note illicit proceeds are used to acquire real estate and precious metals and stones.

In 2018, Turkey lowered the requirements for citizenship to a \$500,000 investment, real estate purchase of \$250,000, or the generation of jobs for at least 50 people. The government has offices in Istanbul and Ankara to streamline the approval process for investors.

## **KEY AML LAWS AND REGULATIONS**

Turkey's criminalization of money laundering and legal authority for asset forfeiture are largely in line with international standards. Turkish legislation requires AML programs and procedures and mandates CDD and the filing of STRs.

The Turkish FIU, the Financial Crimes Investigation Board (MASAK), is the AML regulatory and supervisory authority. MASAK relies on the prudential regulatory and supervisory authorities for onsite examinations, primarily the Banking Regulation and Supervision Agency (BRSA), which is responsible for examining all domestic and foreign banks operating in Turkey, money remitters, and most other financial services providers. BRSA looks to MASAK to set AML examination priorities.

Turkey is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Turkey-2019.pdf>.

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

International experts recommend Turkey address the lack of coordination of policies and actions. There is no centralized government AML policy to be implemented across all stakeholders using a risk-based approach.

Turkey completed a money laundering risk assessment in 2018, but it is not publicly available and its impact on AML strategies and policies under development is unknown.

There is no specific reference in the AML regulations regarding PEPs, who often present a heightened money laundering risk, and no obligation on financial institutions to conduct enhanced due diligence when doing business with foreign or domestic PEPs. The concept of trusts does not exist in Turkish law, and there is no guidance to financial institutions on collecting basic and beneficial ownership information from professional trustees providing services to foreign trusts and other similar arrangements.

Turkey's nonprofit sector is not regularly audited for money laundering activity and does not receive adequate AML guidance from the government, although Turkey has recently published a risk assessment and conducted an ad hoc audit of a limited subset of the highest risk NGOs. There is an insufficient number of auditors to cover the more than 110,000 NPOs.

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

Although Turkey's legislative and regulatory framework for addressing money laundering generally meets international standards, Turkey lacks the capacity to effectively identify, investigate, and prosecute significant numbers of money laundering allegations. There were 365,000 STRs filed with MASAK between 2013 and 2017, yet MASAK referred only 135 to the public prosecutor's office for investigation, none of which involved allegations of professional (or third party) money laundering. Of the 135 referrals, only 11 resulted in a money laundering conviction.

Between 2013 and 2018 there were almost 290,000 criminal investigations involving predicate crimes for money laundering. But for every 1,000 predicate crime investigations, there was less than one money laundering investigation. Less than one third of these investigations led to a prosecution and of those only 12 percent resulted in a conviction.

The U.S. DEA, as part of a drug trafficking investigation in 2019, provided information to Turkish law enforcement authorities that would have enabled them to pursue potential drug trafficking or money laundering investigations in Turkey on their own or jointly with DEA. Turkish law enforcement authorities were not receptive to U.S. Government efforts to work with Turkey to open investigations.

Turkey does not have asset sharing provisions as part of its forfeiture laws.

## **Turkmenistan**

### **OVERVIEW**

Turkmenistan is not a regional financial center. There are five international banks and a small, underdeveloped domestic financial sector. The largest state banks include the State Bank for Foreign Economic Relations, Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, and Halk

Bank. There are two smaller state banks, Senagat Bank, which provides general banking services, and Rysgal Bank, which was created by the Union of Entrepreneurs and Industrialists for its members. There are also five foreign commercial banks: a joint Turkmen-Turkish bank, a branch of the National Bank of Pakistan, the German Deutsche Bank and Commerzbank, and Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and the Government of Turkmenistan; they do not provide general banking services. The country's significant mineral and hydrocarbon exports are paid for through offshore accounts with little public scrutiny or accounting. Since the government introduced numerous limitations on foreign currency exchange in 2016, converting local currency (manat) into foreign currency has become very difficult.

Turkmenistan's FIU, the Financial Monitoring Service, officially became a member of the Egmont Group on July 3, 2019.

Over the last few years, the government has taken positive steps to combat money laundering and corruption, but lack of government transparency in Turkmenistan makes it extremely difficult to get information and data on money laundering, including efforts to combat money laundering through law enforcement investigations. There is a need for capacity building for law enforcement, customs, and border authorities in order to better recognize and combat money laundering, and the government should proceed with reforms to bring Turkmenistan's laws and regulation in line with international standards.

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

Given Turkmenistan's shared borders with Afghanistan and Iran, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics, as well as those derived from domestic criminal activities, including corruption. There is no information on cash smuggling; however, gasoline, tobacco products and cigarettes, and other commodities are routinely smuggled across the national borders.

There are no offshore centers in the country, although much Turkmen wealth is kept offshore. The government reportedly is working to address this issue. In 2007, Turkmenistan created the Awaza Tourist Zone (ATZ) to promote development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

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

Over the last few years, the government has taken positive steps to combat money laundering and corruption. On June 2, 2017, the President created the State Service for Combating Economic Crimes in order to analyze corruption and investigate and prevent crimes involving economic and financial damage to the state, although its level of effectiveness remains in question. The government also continues to pursue international cooperation to curb offshore tax evasion.



On August 18, 2015, the Turkmen Parliament adopted a new AML/CFT law that came into effect on January 1, 2016. The law is intended to address international cooperation and noted deficiencies regarding due diligence procedures for DNFBPs and PEPs, among other items. Turkmenistan has KYC and STR regulations.

Turkmenistan is a member of the EAG, a FATF-style regional body. Its most recent mutual evaluation report can be found at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

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

The lack of government transparency makes it extremely difficult to get information on money laundering, and there have been no reports of prosecutions or convictions for money laundering for the last several years.

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

Turkmenistan's Inter-Agency Coordination Working Committee for Combating Money Laundering and Terrorism Financing operates under the Ministry of Finance.

Government agencies transitioned to National Financial Reporting Standards in January 2014. Although Turkmenistan's law requires banks to use the International Financial Reporting Standards, which were implemented in 2012, not all banks have done so.

Turkmenistan's legal system provides protection and exemption from liability for financial institutions filing STRs with the FIU and sets limitations on the disclosure of information financial institutions obtain in performing their AML obligations.

Serious enforcement efforts are necessary in order to combat money laundering, and the government should accelerate reforms that will make Turkmenistan's AML regime compliant with international standards. Additionally, there is a need for capacity building for law enforcement, customs, and border authorities in order to better recognize and combat money laundering.

In 2019, international donors conducted training for specialists in the Ministry of Finance and Economy of Turkmenistan on the topic of preventing money laundering and a seminar in Ashgabat on best practices in AML/CFT in the area of DNFBPs.

## **Ukraine**

### **OVERVIEW**

Money laundering remains a significant problem in Ukraine. The authorities made little progress in 2019, though the passage of new AML legislation is pending.

Corruption is the primary source of laundered funds. Launderers register as ultimate beneficial owners under aliases and integrate laundered money into legal businesses. Ineffective state institutions and an ineffective criminal justice system continue to allow criminal proceeds to go undetected. Although authorities are aware of the seriousness of the problem and are implementing measures to address it, law enforcement rarely targets large-scale corruption-related money laundering.

The ongoing major reform of the Ukrainian prosecution authority appears to be a major step toward effective criminal enforcement. While the National Anti-corruption Bureau (NABU), working with the Office of the Prosecutor General (OPG) and Specialized Anti-corruption Prosecution Office (SAPO), has made significant progress in pursuing cases against high-ranking officials in a relatively short period of time, the newly-established High Anti-Corruption Court is only beginning to consider the cases.

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

Because of its geographic location, Ukraine remains a transit country for drugs and other contraband trafficked from eastern countries through areas of Ukraine controlled by Russia-led forces to western and central Europe. Transnational organized crime (TOC) syndicates utilize Ukraine as a transit country to launder illicit profits, routinely routing transactions through offshore tax havens. Ukraine's large shadow economy and use of cash represent significant vulnerabilities. Corruption enables and exacerbates money laundering.

Sources of illicit proceeds include tax evasion; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; and cybercrime. Illicit proceeds are laundered through real estate, insurance, financial and non-financial institutions, shell companies, fictitious entrepreneurship, and bulk cash smuggling. Schemes involve financial instruments such as liquid and illiquid securities, lending and deposit transactions, and fictitious contracts.

Casinos and gaming enterprises are prohibited in Ukraine. Despite the prohibition, there is a flourishing market of underground gaming (often disguised as national lottery offices, which are legal).

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

In fall 2019, Ukraine's parliament began considering a new bill (No. 2179) to bring Ukraine's AML/CFT framework in line with EU legislation. The new bill would mandate a risk-based approach; raise the reporting threshold for financial transactions to more than approximately \$12,500 (300,000 Ukrainian hryvnia); add tax consultants as covered entities; improve disclosure of beneficial owners; introduce new asset freezing tools; and require information on money transfer originators and recipients.

The State Financial Monitoring Service (SFMS), Ukraine's FIU, published Ukraine's first money laundering/terrorist financing national risk assessment (NRA) in 2018. The SFMS is completing the second NRA.

The National Bank of Ukraine posted its annual bank inspection plan on its official website for the first time in 2019. Inspections follow a risk-based approach.

Ukraine and the United States have an MLAT. Although the United States and Ukraine do not have a bilateral extradition treaty, Ukraine may extradite non-Ukrainian nationals to the United States pursuant to its domestic extradition law.

Ukraine is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-ukraine-2017.html>.

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

Under existing AML/CFT law, agents acting on behalf of others are neither obligated to file STRs nor liable for failing to report. The law also allows PEPs to be de-listed three years after leaving public office, which is inconsistent with international standards.

Ukraine should more effectively regulate its gaming industry and examine how gaming is used to launder money. A draft bill to regulate gaming was registered in Parliament in October 2019.

While pre-trial investigations for money laundering cases are sometimes opened without a conviction for the predicate offense, many legal professionals still widely assume a conviction for a predicate offense is essential before a money laundering case can be prosecuted.

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

Ukraine has made significant progress in addressing regulatory gaps involving financial institutions, but limited progress in addressing other identified technical compliance deficiencies. Supervisory authorities, other than the banking and securities supervisors, often appear unable or unwilling to verify whether covered entities are beneficially owned or controlled by criminal elements or their associates.

Although the SFMS produces high-quality financial intelligence, its work is hindered by an ever-increasing workload, antiquated IT system, low staffing levels, and low wages. The NABU and SAPO are taking actions against current senior PEPs for corruption. More training and resources are needed to develop financial investigative capacity in law enforcement, generally.

According to the OPG, for nine months in 2019, 95 cases of non-drug-related money laundering submitted to courts resulted in 12 convictions as of year end 2019. With the reforms of the prosecution service and the establishment of the new Special Investigation Bureau, Ukraine should be able to more thoroughly address the significant amounts of money flowing through its economy related to cybercrime and TOC activities.

Ukraine needs to deploy the necessary resources to implement its comprehensive forfeiture legislation and confiscate property under the law. Little is known about how many final asset confiscation orders have been issued and what has been forfeited. Reportedly, approximately

\$1.5 billion in Yanukovich-era assets have been seized, although under the prior administration these actions were considered secret and the actual status of the forfeitures is unclear. The Asset Recovery Management Agency (ARMA) is not yet fully functioning as designed. In its first few years, ARMA has experienced serious challenges, especially in managing complex assets. A comprehensive asset tracking system should be an urgent priority to ensure transparency and accountability.

## United Arab Emirates

### OVERVIEW

The United Arab Emirates (UAE) is a regional hub for trade and financial activity that has aggressively expanded its financial services business. Illicit actors may take advantage of the open business environment, multitude of global banks, exchange houses, and global transportation links to engage in unlawful financial activity. Additionally, the several overlapping and distinct jurisdictional regimes for supervision and enforcement across the seven Emirates, federal system, and commercial and financial free zones create exposure to regulatory arbitrage.

In recent years, the government has taken some steps to enhance its AML/CFT program. However, the relevant authorities need to streamline internal mechanisms to improve the interagency decision-making process. Additionally, the UAE should work to enhance efforts to investigate money laundering and terrorist financing and take proactive steps to implement and enforce its laws.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

A portion of the UAE's money laundering activity is likely related to its role as a transshipment point for illegal narcotics, and as a pass-through for proceeds of drug sales. Funds are laundered primarily through banks, MVTs (including hawala), dealers in precious metals and stones, and real estate. The numerous exchange houses, hawaladars, and general trading companies lead to the potential for increased bulk cash smuggling, TBML, abuse of corporate structures, laundering of proceeds of foreign predicates, and transfer of funds for illicit activity elsewhere.

Domestic public corruption contributes little, if anything, to money laundering.

The UAE has an extensive offshore sector, including two financial free zones (FFZs) and more than 37 FTZs. The FTZs contain over 5,000 multinational companies and thousands more individual trading companies. FTZ companies are offshore or foreign entities for legal purposes. Though UAE law prohibits shell companies and trusts, FTZs present a significant gap in regulatory oversight. FTZs benefit from special tax, customs, and import regimes and are governed by their own regulatory framework. FTZs are a permissive environment for unidentified, unregulated, or unsupervised financial entities to operate. UAE authorities have limited ability to regulate financial activity in the myriad zones. Until recently, the Financial Intelligence Unit (FIU), formerly the Anti-Money Laundering Suspicious Cases Unit, of the

Central Bank of the UAE (CBUAE), was not empowered to do anything, and it still lacks capacity and staff, thus the effectiveness of monitoring STR reporting by covered entities in the zones is questionable.

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

The UAE's AML legislation permits the CBUAE to temporarily freeze the accounts of suspicious institutions or individuals, though the permanent freezing of accounts requires a judicial decree. Though the UAE has CDD and STR regulations in place, implementation is lacking.

In 2019, the UAE cabinet issued Decision No. 10, which implements Federal Decree No. 20 of 2018 (AML Law). It allows the government to undertake risk assessments and compliance investigations of domestic financial institutions and provides for administrative penalties for violations of the law.

In 2019, the CBUAE issued a circular to clarify that registered hawala providers must strictly comply with the AML Law and follow international AML/CFT standards. On June 13, 2019, the CBUAE issued decision No. 59/4/2019, stipulating the CBUAE shall supervise and examine financial institutions periodically, without prior notice, to verify their compliance with relevant laws and regulations. The decision also states CBUAE can request all information required for verifications.

Other stakeholders also enhanced AML/CFT safeguards during 2019. In April, Abu Dhabi Global Market, Abu Dhabi's FFZ, amended its regulatory framework to generally align its AML framework with the AML Law; and in May, the UAE Securities and Commodities Authority issued AML/CFT legislation to allow for inspections of financial institutions at any time.

The UAE does not have an MLAT or bilateral extradition treaty with the United States. However, the UAE is a party to several multilateral law enforcement conventions with mutual legal assistance provisions. As of late 2019, the UAE and United States are negotiating an MLAT.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-united-arab-emirates>.

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

The UAE's role as an international financial center and commercial hub presents systemic vulnerabilities, and illicit actors can exploit a fragmented and uneven federal regulatory and enforcement regime. These vulnerabilities are most apparent throughout the vast exchange house sector, hawalas, and unlicensed money transmitters, often operating under the guise of general trading companies. These areas, along with the monitoring and enforcement of bulk cash flows, should be more tightly regulated under a centralized framework. The UAE could

strengthen oversight by publicly releasing metrics on money laundering and terrorist financing prosecutions and convictions.

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

The government continues to take steps to enhance its AML/CFT framework. In 2019, the FIU launched a new AML reporting platform designed to gather and analyze financial intelligence submitted by reporting entities. The FIU asked all financial entities to register on this system by the end of June 2019.

The UAE is showing some progress in its ability to investigate suspected money laundering, although several areas of AML/CFT implementation and enforcement require further action. Law enforcement at the emirate level and the federal security services should enhance their efforts, and resources for the FIU should be increased. Proactively developing money laundering cases and establishing appropriate asset forfeiture procedures would strengthen the local enforcement regime. Additionally, officials should conduct more inquiries into large, cross-border cash flows.

## **United Kingdom**

### **OVERVIEW**

The UK plays a leading role in European and world finance and remains one of the strongest global actors in combatting illicit finance. Money laundering presents a significant risk to the UK because of the size, sophistication, and reputation of its financial and real estate markets. UK law enforcement combats cash-based money laundering, the drug trade, and high-end money laundering through the financial sector and professional services. In July 2019, the UK published its Economic Crime Plan, which describes public and private sector actions over the next three years to protect the UK against economic crime. The UK should follow through on plans to strengthen the capabilities of the FIU, reduce inconsistencies in the supervisory regime, and increase its international reach to tackle money laundering.

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

Cash-based and high-end money laundering remain the greatest areas of risk to the UK. The main methods of laundering are cash collection networks, international controllers, and MSBs. Professional services are a gateway for criminals to disguise the origins of funds using legal, accountancy, and company service providers to set up corporate structures for money laundering purposes.

Intelligence gaps persist, particularly in relation to high-end money laundering, where the proceeds are held in complex trading arrangements, real estate, or other investments rather than cash. This type of laundering is often used to launder the proceeds of major frauds and foreign corruption. UK law enforcement agencies have taken steps to fill these gaps, leading to a better understanding of the risk.

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## **KEY AML LAWS AND REGULATIONS**

The UK published a national money laundering/terrorist financing risk assessment in 2017 and will update it in 2020.

Money laundering is criminalized using an “all crimes” approach to predicate crimes. New tools, such as unexplained wealth orders (UWOs), are being used to identify and recover assets linked to corruption and other serious offenses. The UK has a comprehensive AML regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK will revise its AML regulations early in 2020 to implement the EU’s Fifth Money Laundering Directive. Key changes will include improving access to beneficial ownership information and including virtual assets in the scope of regulations. The Sanctions and Anti-Money Laundering Act 2018 provides the legislative basis for the UK’s AML regulatory regime should the UK leave the EU.

The UK has led globally in the push for beneficial ownership transparency and has implemented registers containing information about the persons who ultimately own or control UK assets, including companies, properties and land, and trusts. The company register is public and has served as a model, but verification of the information remains a challenge. The UK Overseas Territories and Crown Dependences are not as advanced in having requirements to collect information on beneficial ownership, and the UK is addressing this gap. The UK exchanges information about potential shell companies suspected of being misused for money laundering purposes with foreign law enforcement and other authorities.

There are 25 AML supervisors of financial institutions and DNFBPs in the UK, ranging from public sector statutory organizations to professional bodies. The UK has a mandatory reporting process for supervisors. The government maintains the Office for Professional Body AML Supervision to share best practices and ensure effective supervision.

The UK is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>.

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

The AML legal framework in the UK is particularly strong. International experts have identified areas in need of significant improvement, including the FIU’s insufficient resources and limited role, weaknesses in the STR regime, and measures related to correspondent banking. Other improvements in risk-based supervision and the implementation of AML measures within the private sector are needed.

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

In 2017, there were 4,925 prosecutions and 3,474 convictions for money laundering-related offenses in England and Wales. Money laundering was not the primary offense in all cases. Statistics for 2018 and for Scotland and Northern Ireland are not available. UK legislation provides for both conviction- and non-conviction-based confiscation. The UK maintains a

publicly accessible register of company beneficial ownership information. Companies that do not provide information are subject to penalties.

The UK is increasingly employing UWOs to require persons suspected of having links to serious crime and non-European Economic Area PEPs suspected of corruption to explain how they lawfully acquired their assets. To date, 15 UWOs covering four investigations have been secured.

In 2018, the UK established the National Economic Crime Centre (NECC) to plan, task, and coordinate responses to economic crime across government agencies. The NECC works with other bodies, including the National Crime Agency's national intelligence capabilities, to understand the threat and ensure intelligence-supported intervention and investigations. The NECC draws on support of operational partners across law enforcement, the private sector, and internationally.

The UK has been a leader in multilateral discussions and implementation of international asset recovery efforts in regard to proceeds of high-level corruption, often in collaboration with the United States. In July 2019, the United States and UK established a Strategic Dialogue on Illicit Finance to facilitate strategic and operationally-focused discussions between the United States and UK, on an interagency basis, to combat money laundering cooperatively.

## **Uzbekistan**

### **OVERVIEW**

The effectiveness of Uzbekistan's efforts to comply with international AML/CFT standards is hindered by corruption, the susceptibility of law enforcement to political influence, and the ease with which well-connected individuals bypass existing AML regulations. The government has made some improvements in legislation, but its refusal to share data regarding prosecutions makes judging progress difficult, with the best guess that the overall trend is largely one of staying in place.

Key recommendations include increasing transparency regarding AML/CFT data and statistics, reducing turnover in key technical positions, improving implementation and enforcement of laws related to public disclosure, and lowering the barriers to working-level cooperation with international partners.

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

Major sources of illicit proceeds in Uzbekistan include smuggling, corruption, and narcotics trafficking. UNODC reports illicit funds transit Central Asia through traditional bank or money exchange transfers, basic barter of opiates for goods (mainly cars), and informal money transfer systems like hawala. Other risks include Uzbekistan's predominantly cash economy and large remittances transferred by migrant workers abroad.



Legal entities are often registered offshore to facilitate tax evasion and conceal beneficial owners' identities. Uzbekistan's high import tariffs and customs clearance costs are conducive to the development of a black market with growing volumes of smuggled and counterfeit goods.

The construction sector is recognized by the government as one of the sectors most prone to corruption and money laundering, with more than 250 construction-related criminal cases initiated and 318 people prosecuted over the first nine months of 2019.

The development of electronic banking, pre-paid cards, and virtual currencies have increased the difficulty of monitoring illicit financial flows, particularly as law enforcement and security specialists do not possess sufficient skills to combat money laundering crimes in cyberspace.

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

Uzbekistan adopted a three-year anticorruption program in 2019 that includes plans to introduce asset and income declaration for some civil servants and family members, to increase wages for public officials, to improve a conflict-of-interest resolution mechanism, and to establish responsibilities for public employees in complying with AML policies.

The Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism enacts KYC and STR regulations. The law was updated on January 15, 2019 to require financial entities to conduct and record annual assessments of risks related to money laundering, financing of terrorism, and weapons of mass destruction, and to take appropriate measures to reduce identified risks. Also on January 15, the government amended the Law on Bank Secrecy by granting the Prosecutor General's Office (PGO) the right to receive otherwise-protected banking information in the course of AML/CFT investigations. Current legislation requires disclosure of beneficial ownership and enhanced due diligence for PEPs, though well-connected individuals often avoid such requirements.

The Interdepartmental Commission on Countering the Legalization of Proceeds from Crimes and Terrorism Financing coordinates national risk assessments and develops recommendations for the further development and strengthening of the national AML system.

While Uzbekistan has bilateral AML cooperation arrangements with more than 15 countries, its MOUs with individual U.S. law enforcement bodies are largely dormant.

The United States does not have a bilateral agreement on mutual legal assistance, though Uzbekistan has expressed interest in such a treaty. Uzbekistan is a signatory to relevant multilateral law enforcement conventions that have provisions enabling law enforcement cooperation with the United States and other parties to the conventions.

Uzbekistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at:

[https://eurasiangroup.org/files/uploads/files/other\\_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%202010.pdf](https://eurasiangroup.org/files/uploads/files/other_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%202010.pdf)

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

Bank examiners and law enforcement agents lack expertise in detecting illicit money flows and are constrained by the lack of cross-border cooperation.

Current legislation does not include provisions on criminal liability for legal persons nor does it criminalize illicit enrichment. Existing mechanisms for confiscation of assets are limited; the government is considering various models to expand such authority.

Government officials are required to disclose income earned outside of public employment, but such information is not publicly disclosed. The government has not yet adopted draft legislation on asset declaration by civil servants despite plans to do so.

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

Frequent turnover of government officials delays AML/CFT policy implementation and undermines capacity-building efforts. The government's main anticorruption focal point, the PGO's Department of Combatting Economic Crimes, is understaffed, with limited technical and analytical capacity. The government largely refuses to share information related to AML/CFT prosecutions. Government prosecutors are also under pressure to avoid investigating politically influential individuals.

Uzbekistan has made some progress in improving its AML/CFT legislation, and law enforcement authorities generally express interest in receiving additional technical training from international donors. AML/CFT training by international donors to the FIU and other government officials from entities with AML/CFT mandates is ongoing.

A general aversion to sharing sensitive information has prevented Uzbekistan from tangible cooperation with the U.S. government on AML/CFT matters and drug trafficking.

# **Venezuela**

## **OVERVIEW**

Venezuela is characterized by rampant illicit financial activity and endemic public corruption. The situation continued to worsen throughout 2019, particularly as the illegitimate regime refused to cede power to Interim President Juan Guaidó, who assumed his role on January 23, 2019. Nicolás Maduro and his regime rely on illicit activities – money laundering, drug trafficking, illegal mining, fraud, and public corruption – to fund their illegitimate rule. Venezuela's proximity to drug-producing countries and its status as a significant drug transit country, combined with practically nonexistent AML supervision, enforcement, and international cooperation, make for a jurisdiction riddled with money laundering and financial crimes. In 2019, in response to the deep economic crisis caused by its mismanagement, the regime relaxed foreign exchange controls, as well as price and import controls, leading to the rapid dollarization of the country and availability of goods for those who have dollars. However, the economy

remains deeply unstable and hyperinflated, which is driving a complex humanitarian crisis. The dollarization of the economy and sudden increase in 2019 of the availability of cash dollars also raise concern regarding the source of so much cash and who has access. A robust black market continues to function in the porous border regions of Venezuela and Colombia, and to some extent Brazil, with the smuggling of gasoline.

On May 3, 2019, FinCEN issued an Updated Advisory on Widespread Public Corruption in Venezuela, which states the former Maduro regime has engaged in massive corruption through state-owned enterprises and offshore third-parties – money stolen from the Venezuelan people – contributing to the dire humanitarian situation in Venezuela. FinCEN assesses that all Venezuelan regime agencies and bodies appear vulnerable to public corruption, money laundering, and other financial crimes, and the illegitimate Maduro regime uses its control of the economy to generate significant wealth for senior political figures and associates. On August 5, 2019, President Trump signed Executive Order 13884, “Blocking Property of the Government of Venezuela,” to address the continued usurpation of power by Maduro and persons affiliated with him, as well as human rights abuses and ongoing attempts to undermine Interim President Guaidó and the Venezuelan national assembly’s exercise of legitimate authority in Venezuela.

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

Money laundering is widespread in Venezuela, including through government currency exchanges, the petroleum industry, illegal mining, government contracts, and to a lesser extent, through commercial banks, gaming, real estate, agriculture, livestock, and securities. TBML remains common and profitable. Press reporting indicates hundreds of millions of dollars of gold and other metals were stolen from Venezuelan reserves and shipped to third countries, in an attempt to skirt U.S. financial sanctions.

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

The 2012 Organic Law against Organized Crime and Financing of Terrorism, as revised in 2014, lacks important mechanisms to combat domestic criminal organizations, such as the exclusion of the state and its companies from the scope of investigations. The Maduro government has used AML and corruption laws as a tool to suppress political opposition and the private sector and intimidate its broadly-defined “enemies.”

There are enhanced due diligence procedures for foreign and domestic PEPs.

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

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

Maduro-regime entities responsible for combating money laundering and corruption are ineffective and lack political will. Regime authorities are complicit in financial crime. Furthermore, their technical capacity and willingness to address financial crimes remains deeply

inadequate. A politicized judicial system further compromises the legal system's effectiveness and impartiality.

Venezuela's FIU, the National Financial Intelligence Unit (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. FinCEN suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of shared information. The suspension remains in effect until FinCEN has assurances its information will be protected. The UNIF should operate autonomously, independent of undue influence.

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

Venezuela's foreign exchange system that allocates foreign exchange to the private sector remains an opaque system subject to manipulation by connected insiders. The illegitimate Maduro regime maintains many off-budget accounts in foreign currencies that lack transparency and oversight, making them vulnerable to corruption. For example, virtually all U.S. dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

## **Vietnam**

### **OVERVIEW**

Vietnam has made some progress in reducing the risks of money laundering over the last year. This includes new revisions to the penal code and increased international cooperation. However, impressive economic growth; increased international trade; long, porous borders; inadequate customs enforcement; and several newly-licensed casinos all suggest Vietnam's exposure to illicit finance will increase.

Vietnam needs to continue to develop overall AML capabilities, especially within key enforcement ministries, the State Bank of Vietnam (SBV), and the National AML Steering Committee. Vietnam will need political will and better coordination within the government to improve enforcement of existing AML laws.

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

Sources of illicit funds include corruption; assets purchased by foreign entities to avoid tax obligations in the country of origin, fraud, illegal gaming, prostitution, counterfeiting of goods, and trafficking in persons, drugs, and wildlife. Remittances from Vietnamese organized crime groups in Asia, Europe, and North America continue to be significant sources of illicit funds, including proceeds from narcotics and trafficked wildlife products transiting or destined for Vietnam.

Vietnam remains a predominantly cash-based economy. Consumers routinely purchase high-value items with cash, including real estate, investment stakes, and luxury vehicles, with few

questions asked. Foreign entities can transfer significant amounts of money into Vietnamese financial institutions without significant hurdles. The banking system is at risk for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of trade are common and are indicators of TBML.

In 2018, Vietnam granted its first pilot licenses to local casinos. Currently, Vietnam has five licensed casinos that only serve foreign visitors. Authorities must ensure these establishments effectively implement and enforce AML standards. Online gaming is illegal.

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

In 2019, the SBV published its first AML national risk assessment (NRA). The NRA concludes Vietnam's overall national money laundering risk level is medium high. Vietnam's riskiest sectors are banking, underground/unregulated or foreign currency remittances, real estate, securities, and the casino industry. The government subsequently issued an AML risk mitigation plan that identifies AML/CFT roles, responsibilities, and legal authorities for each ministry.

In 2018, the government revised the penal code and specified money laundering as a criminal offense. The Prosecutor General of Vietnam is currently in the process of drafting legislation to further criminalize money laundering activities. Other ministries are revising ministry-specific regulations to enhance AML activities in pertinent sectors.

Vietnam has in place both KYC and SAR requirements. Although the SBV upgraded its electronic SAR mechanisms to ensure the consistency of reported data in 2017, it has been unable to fully implement this program, and non-bank financial entities still must file hard copies of SARs.

On December 6, 2019, Vietnam and the United States signed the Customs Mutual Assistance Agreement (CMAA), a legally binding information-sharing mechanism. While the CMAA does not directly address money laundering, it enhances Vietnam's ability to prevent illegal transshipment of goods and to combat wildlife trafficking, both of which are tied to money laundering. The Vietnamese government has typically provided records and responses to the United States or other governments upon request.

Vietnam is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/u-z/vietnam/documents/mutualevaluationofvietnam.html>.

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

While Vietnam is largely compliant with international best practices, the government needs to improve AML supervision, and banks need to enhance and fully implement CDD policies. Regulations requiring updated information from customers whose transactions originate in other countries are minimal and weakly enforced. Sometimes the government does not communicate changes in relevant laws to Vietnamese banks.

Vietnam's cross-border controls remain weak along Vietnam's land borders. Vietnam needs to improve efforts to tackle bulk cash smuggling, and wildlife and drug trafficking.

The lack of rigorous and impartial financial oversight of key state-owned enterprises (SOEs) is also problematic. In 2018, Vietnam established a "Super Committee" to oversee the country's 19 largest SOEs; however, the Super Committee's remit does not cover money laundering.

SBV's FIU has applied for membership in the Egmont Group and is working to strengthen its authorities and enhance its independent status. The FIU has signed nine MOUs with the FIUs of other jurisdictions as of late 2019.

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

Vietnam has a National AML/CFT Coordinating Committee and a national AML/CFT action plan for 2015-2020. Though the release of both the NRA and the mitigation plan represents a significant step forward, effectiveness of the new regulations and implementation of the AML/CFT regime remains weak, and Vietnam has yet to demonstrate concrete results. Vietnam's adoption of specific recommendations for reform will depend upon interagency cooperation and high-level support.

Lack of resources and difficulty coordinating multiple agencies hinder parallel money laundering investigations during predicate crime investigations. Cooperation among agencies is infrequent since interagency coordination requires signed MOUs. Progress toward changing operating practices among key agencies remains slow, particularly regarding communication between SBV and General Department of Customs.

In May 2019, the Vietnamese government issued an arrest warrant charging the CEO of telecom company Nhat Cuong Mobile with money laundering; subsequently, the Vietnamese government coordinated with Interpol to issue an Interpol worldwide red notice in September 2019. The government also initiated legal proceedings against four other Nhat Cuong Mobile employees for complicity in a transnational smuggling ring. This follows Vietnam's successful prosecution and conviction of four defendants on money laundering charges in November 2018.