



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

# **International Narcotics Control Strategy Report**

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**Volume II**

**Money Laundering**

**March 2022**



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## Table of Contents

Definitions.....	5
Legislative Basis and Methodology for the INCSR .....	10
Overview .....	12
Training Activities .....	14
Board of Governors of the Federal Reserve System (FRB) .....	14
Department of Homeland Security .....	15
Customs and Border Protection (CBP).....	15
Immigration and Customs Enforcement Homeland Security Investigations (ICE HSI).....	15
Department of Justice.....	16
Drug Enforcement Administration (DEA) .....	16
Federal Bureau of Investigation (FBI).....	16
Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT).....	17
Department of State.....	18
Department of the Treasury .....	21
Financial Crimes Enforcement Network (FinCEN) .....	21
Internal Revenue Service, Criminal Investigations (IRS-CI) .....	22
Office of the Comptroller of the Currency (OCC) .....	22
Office of Technical Assistance (OTA) .....	23
Comparative Table Key .....	25
Comparative Table .....	27
Afghanistan .....	32
Albania .....	33
Algeria .....	36
Antigua and Barbuda.....	38
Argentina.....	40
Armenia .....	42
Aruba.....	44
Bahamas .....	46
Barbados.....	48
Belgium.....	50
Belize.....	52
Benin .....	55
Bolivia .....	57
Brazil .....	59
British Virgin Islands .....	61
Burma .....	63
Cabo Verde .....	65
Canada.....	68
Cayman Islands .....	70
China, People’s Republic of.....	72

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Colombia .....	74
Costa Rica .....	76
Cuba.....	78
Curacao .....	80
Cyprus .....	82
Dominica.....	87
Dominican Republic .....	88
Ecuador .....	91
El Salvador .....	93
Georgia .....	95
Ghana .....	97
Guatemala .....	99
Guyana .....	101
Haiti .....	103
Honduras.....	106
Hong Kong .....	108
India .....	110
Indonesia .....	112
Iran .....	114
Italy .....	117
Jamaica.....	119
Kazakhstan.....	121
Kenya.....	123
Kyrgyz Republic .....	125
Laos.....	127
Liberia .....	129
Macau .....	132
Malaysia .....	134
Mexico.....	136
Morocco.....	138
Mozambique.....	140
Netherlands .....	142
Nicaragua .....	144
Nigeria .....	147
Pakistan .....	149
Panama.....	151
Paraguay.....	153
Peru.....	155
Philippines.....	158
Saint Kitts and Nevis .....	160
Saint Lucia .....	162
Saint Vincent and the Grenadines.....	164
Senegal.....	166
Seychelles.....	168

**Sint Maarten .....171**  
**Spain .....172**  
**Suriname .....174**  
**Tajikistan .....176**  
**Tanzania .....178**  
**Thailand .....180**  
**Trinidad and Tobago .....182**  
**Turkey .....184**  
**Turkmenistan.....186**  
**Ukraine .....188**  
**United Arab Emirates .....190**  
**United Kingdom.....193**  
**Uzbekistan.....195**  
**Venezuela .....197**  
**Vietnam .....199**

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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 imports 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 Financial Action Task Force (FATF) Recommendations, 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 financial intelligence unit (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.

**Hundi:** See Hawala.

**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 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.

**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 2022 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). This 2022 report on *Money Laundering* is based upon the contributions of numerous U.S. government agencies. Specifically, the White House Office of National Drug Control Policy; Department of the Treasury’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.

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 FAA 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*” (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 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 “blacklist” 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 2021:**

Afghanistan, Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Aruba, Bahamas, Barbados, Belgium, Belize, Benin, Bolivia, 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, Mozambique, Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Seychelles, 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

Despite COVID-19's continued disruption of governments and commercial activity around the globe in 2021, money laundering remains a serious global threat. Its impact is considerable: it contributes to the breakdown of the rule of law; corruption of public officials; destabilization of economies; and threatens political stability, democracy, and free markets around the globe. Increasingly sophisticated criminal organizations, terrorists, kleptocrats, and other illicit actors continue to seek out the weak links in global anti-money laundering/combating the financing of terrorism (AML/CFT) countermeasures.

The 2022 edition of the Congressionally mandated *International Narcotics Control Strategy Report, Volume II: Money Laundering* focuses specifically on the threat of narcotics-related money laundering. The report reviews the AML legal and institutional infrastructure of jurisdictions and highlights the most significant steps each has taken to improve its AML regime. It also describes key vulnerabilities and deficiencies of these regimes, identifies each jurisdiction's capacity to cooperate in international investigations, and highlights the U.S. provision of AML-related technical assistance.

The implementation of effective AML regimes, consistent with international standards and the ability to meet evolving challenges, are clearly vital to the maintenance of solvent, secure, and reliable economic systems. 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 the FATF 40 Recommendations. The United States has also supported, through technical assistance and other means, the development and implementation of robust national-level AML regimes in jurisdictions around the world.

Corruption is both a significant byproduct and a facilitating crime of the international drug trade and transnational organized crime. While corruption risks exist 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. While legislative and institutional reforms are an important foundation, robust and consistent enforcement is also key. As this report describes in detail, governments across the globe have taken steps to pursue and prosecute officials complicit in money laundering at all levels, from local police officials to national assembly members and government ministers. Albania, Ecuador, El Salvador, Malaysia, Mozambique, Seychelles, and Suriname all advanced prosecutions or obtained convictions against current or former government officials in 2021. Additionally, in 2021, Suriname became party to the United Nations Convention against Corruption.

The transparency of beneficial ownership remains a central focus for AML. Shell companies are used by drug traffickers, transnational criminal organizations, corrupt officials, and some regimes to launder money and evade sanctions. "Off-the-shelf" international business companies, purchased via the internet, remain a significant concern by creating a vehicle through which nominee directors may effectively provide anonymity to the true beneficial owners. The 2022 Report highlights significant steps taken by jurisdictions on the issue. Antigua and Barbuda amended legislation and regulations in 2021 to require registration and monitoring of certain business entities to better prevent criminals from controlling such entities. Dominica also

amended its laws to address beneficial ownership concerns, while Panama began to design a beneficial ownership registry, and Turkey issued new guidelines on beneficial ownership.

In a major anticorruption and AML milestone for the United States, and in recognition of its own challenges regarding beneficial ownership transparency, the U.S. Congress passed the Corporate Transparency Act in 2020. Once completed, regulations to implement the act will require corporations and limited liability companies to disclose their beneficial owners to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), which will make the information available to appropriate government entities and financial institutions. FinCEN published its proposed rule for comment on December 8, 2021.

The rapid growth of virtual currencies supports the evolution of various crimes, including money laundering, posing new challenges for societies, governments, and law enforcement. Key financial entities are exploring how to incorporate virtual currency (blockchain platform) payments to expedite remittances to locations around the world, and some jurisdictions are developing their own virtual currencies. In 2021, El Salvador adopted bitcoin as legal tender. Antigua and Barbuda, Grenada, St. Kitts and Nevis, and Saint Lucia are piloting a blockchain-based currency introduced by the Eastern Caribbean Central Bank. The Nigerian government also launched a central bank digital currency in 2021; and The Bahamas and the People's Republic of China continued their pilot programs. Criminal and terrorist organizations may co-opt virtual currency payment services, particularly as the services can manifest less than optimal financial transparency. Regulators and law enforcement are beginning to respond to the use of anonymous e-payment methodologies, but their rapid development poses legal and enforcement challenges. Canada now requires reporting of large virtual currency transactions. Kazakhstan passed a law to require companies dealing with digital assets or providing virtual trading services to comply with national AML/CFT regulations. Peru established a new special prosecutor's office on cybercrime; and Turkey added virtual currency trading platforms to those firms covered by its AML/CFT regulations.

Another long-standing area of concern is trade-based money laundering (TBML). Trade-based systems act as a parallel method of transferring money and value around the world. Systems such as hawala or other informal money/value transfer systems, 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 challenges for law enforcement everywhere. The growing global network of national 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.

While the 2022 INCSR reflects the continued vulnerability to narcotics trafficking-related money laundering around the world, including in the United States, it also demonstrates the seriousness with which many jurisdictions are tackling the issue, and the significant efforts many have undertaken. The United States looks forward to continuing to work with international partners in furthering this important agenda, promoting compliance with international norms and strengthening capacities globally to prevent and combat money laundering.

## Training Activities

During 2021, the United States continued its endeavors to strengthen the capacity of our partners in the fight against money laundering despite the continuing impact of the COVID-19 pandemic. Although some activities remained curtailed or were completed remotely, U.S. law enforcement and regulatory agencies continued to share best practices and provide 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, corruption, financial crimes, and related criminal activity. 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 Office of Foreign Asset Control (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 2021, the FRB did not conduct any in person anti-money laundering/combating the financing of terrorism (AML/CFT) international trainings or technical assistance missions due to the COVID-19 pandemic. It did conduct remote training programs, which covered elements of AML/CFT for over 600 participants from Antigua and Barbuda, Argentina, Aruba, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curacao, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, and Uruguay.

## **Department of Homeland Security**

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

Both the International Operations Directorate and International Support Directorate provide international training programs and/or technical assistance. CBP did not conduct any international AML training or technical assistance programs in calendar year 2021.

### ***Immigration and Customs Enforcement Homeland Security Investigations (ICE HSI)***

During 2021, U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI) provided critical training and technical assistance to foreign law enforcement partners of the United States. In Canada, ICE HSI worked with Canadian law enforcement agencies to provide training on virtual currency, the darknet, asset forfeiture, and financial investigative techniques.

In El Salvador, ICE HSI and the U.S. Department of Justice (DOJ) provided regional anti-money laundering training to the attorneys general offices of El Salvador, Guatemala, and Honduras. In Panama, ICE HSI delivered trade-based money laundering training to members of the Panama Customs Authority's trade transparency unit and also provided the Cryptocurrency and Darknet Money Laundering Training course for Panamanian law enforcement agencies. In Argentina, ICE HSI and the U.S. DOJ provided virtual training on the dark web and virtual currency, while, in Brazil, ICE HSI and the U.S. DOJ presented international corruption investigation workshops to Brazilian federal police officers and prosecutors.

In Europe, ICE HSI delivered the Department of State's Bureau of International Narcotics and Law Enforcement Affairs-sponsored virtual money laundering training to members of Ukrainian law enforcement. ICE HSI conducted two educational bulk cash training events for Dutch law enforcement. ICE HSI presented virtual currency and bitcoin training to French law enforcement.

Finally, in Africa, ICE HSI provided virtual currency training to members of the Kenyan Ethics and Anti-Corruption Commission."



## **Department of Justice**

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

The Office of Domestic Operations, Financial Investigations Section (ODF) coordinates DEA's efforts to target the financial aspects of transnational criminal organizations across domestic and foreign offices. 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. During 2021, ODF representatives traveled to France and briefed French judges and prosecutors on DEA's effort to combat money laundering, which has led to increased cooperation between DEA and French authorities. 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 2021, ODF participated in and led a number of virtual workshops and strategy sessions focused on COVID-19 money laundering trends, trade-based money laundering, private sector engagement, virtual currency, and investigative case coordination. Also during 2021, DEA participated in virtual money laundering training courses and workshops with a number of international partners, to include but not limited to: Colombia, Panama, Costa Rica, Guatemala, Mexico, and Canada.

### ***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 2021, the FBI provided financial crime and money laundering training to Albania, Bangladesh, Bosnia and Herzegovina, Canada, Colombia, Croatia, Hungary, Kosovo, Latvia, Lithuania, Malaysia, Malta, Montenegro, North Macedonia, Poland, Romania, San Marino, Serbia, and Ukraine.

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

In 2021, with funding from the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), OPDAT provided expert anti-money laundering (AML) assistance throughout the world consistent with international standards and in furtherance of U.S. national security:

### **Africa**

In Ghana, OPDAT provided case-based mentoring on money laundering crimes to prosecutors and investigators, including connecting them to the U.S. Federal Bureau of Investigation and U.S. Attorney's offices. In Sierra Leone, OPDAT held two programs to help counterparts better understand how to bring and charge money laundering offenses, which are underutilized.

### **Asia and the Pacific**

In Pakistan, OPDAT, the Money Laundering and Asset Recovery Section, and other DOJ representatives shared best practices on money laundering investigations and prosecutions with prosecutors. In Indonesia, OPDAT and a private bank co-sponsored a virtual roundtable focused on money laundering virtual currency threats for participants from Indonesian banks, financial institutions, and government ministries.

### **Europe**

In Latvia, OPDAT-mentored counterparts convicted a Global Magnitsky designee for corruption, money laundering, and related offenses in February 2021; he was sentenced to imprisonment and asset confiscation valued at approximately \$205 million. Assistance by International Computer Hacking and Intellectual Property attorney advisors (who are part of a partnership between INL and DOJ's OPDAT and Computer Crime and Intellectual Property Section (CCIPS)) to Bulgaria, Croatia, Estonia, Latvia, and Romania on the investigation of a multimillion-dollar money laundering scheme resulted in the identification of criminal targets and the successful tracing of large amounts of virtual currency related to a ransomware attack. In Georgia, CCIPS and OPDAT partnered to assist Georgian law enforcement with developing and adopting virtual currency seizure protocol to use in money laundering and other cases involving virtual currency. They also assisted in procuring and training law enforcement on analytics software to be used in money laundering and other complex investigations. OPDAT also presented a series of advanced AML programs for Ukrainian investigators and prosecutors.

### **Western Hemisphere**

In Mexico, OPDAT-mentored prosecutors secured prison sentences against two defendants, who had pled guilty to a money laundering charge. The defendants, both of whom are U.S. residents, had transported \$2.6 million in illicit cash proceeds from California to Tijuana, Mexico. The judge, who is a graduate of OPDAT's Judicial Studies Institute, also ordered the forfeiture of the money. In Guatemala, OPDAT provided case-based mentoring to prosecutors on a money laundering and forfeiture investigation with ties to the United States; OPDAT also coordinated with U.S. prosecutors on a case with ties to Guatemala.

## Department of State

The Department of State's (DOS) Bureau of International Narcotics and Law Enforcement Affairs (INL) works to keep Americans safe by countering crime, illegal drugs, and instability abroad. 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 anti-money laundering/combating the financing of terrorism (AML/CFT) 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:

### Europe and Asia

**Afghanistan:** Through an agreement with the Department of Justice, INL funded an ongoing program that presented courses on "Money Laundering Investigations" and "Financial Crimes Investigation and Sources of Evidence" to 51 Afghan prosecutors and judges in separate trainings in 2021.

**Central Asia Region:** INL supports a regional AML/CFT advisor, under the United Nations Office of Drugs and Crime's Global Program against Money Laundering (GPML). The advisor, based in Almaty, Kazakhstan, provides mentoring and training to relevant authorities in the five countries of Central Asia. During 2021, among many other activities, the advisor conducted 10 high-level meetings with the top management of financial intelligence units (FIU) and law enforcement agencies in Kazakhstan, Tajikistan, Uzbekistan, and Kyrgyzstan. The advisor also supported the operation of three working groups in Tajikistan (on enhancing the efficiency of parallel financial investigations), Uzbekistan (on parallel financial investigations and disruption of illicit financial flows related to organized crime and drug trafficking), and Kazakhstan (on national IT systems for professional accreditation and development of AML/CFT specialists). Additionally, the advisor attended discussions on amending the laws and legislative acts to further implement the AML/CFT international standards in Uzbekistan, including amendments on banking secrecy and the law on operational search activities.

**Laos:** The United States supported training for the Lao Anti-Money Laundering Intelligence Office, Customs, police, prosecutors, and judges on financial investigations, AML, bulk-cash smuggling, and risk identification and assessment.

**Mongolia:** The United States supported training on financial crimes and AML for Mongolian law enforcement, prosecutors, and FIU staff, as well as the provision of specialized software to facilitate data collection, management, analysis, and workflow.

**Western Hemisphere**

**Caribbean:** The United States maintains a \$10 million cooperative agreement with the National Center for State Courts (NCSC) with a primary objective to counter illicit finance. It supports networks to disrupt transnational and complex crime in Caribbean Basin Security Initiative (CBSI) countries at a national and regional level. Activities include financial crimes legislation assessments, forensic accounting fellowships and training, task force support, case mentoring, and a specially developed live-exercise training during which participants take part in mock financial crimes investigations. INL's CBSI-funded technical assistance, in partnership with NCSC, increased the use of counter-financial crime measures in the Caribbean, including the passage and implementation of civil asset recovery legislation in six countries. Through this legislation, CBSI partner nations successfully recovered \$2.9 million in cash since 2015 and two civil recovery orders totaling \$100,000, which was reinvested to strengthen criminal justice sector institutions. Pending actions include more than \$62 million in property seizures.

**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 interagency agreements with the Department of Justice support law enforcement and prosecutorial coordination through quarterly meetings and technical assistance. To ensure continuity in justice sector training during the COVID-19 pandemic, INL supported increased online training opportunities for justice sector actors.

Similarly, INL support to U.S. ICE-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.

**Colombia:** INL partners with the Attorney General's Office (AGO), the Financial Intelligence Unit, and the Colombian National Police to support effective investigations and prosecutions for complex money laundering and asset forfeiture cases. INL provides training, equipment, and case-based mentoring to prosecutors and investigators in the AGO. These lines of effort are designed to prioritize complex, transnational organized crime cases with the goal of prosecuting money laundering and disrupting financing for narco trafficking and other organized crime activities. Further, INL supports the Special Assets Entity in developing processes and procedures to recover assets forfeited using a non-conviction-based forfeiture program. Additionally, INL supports training and technical assistance for Colombian judicial actors to make informed decisions in complex AML cases. INL is partnering with the Organization of American States' Department against Transnational Organized Crime and the Government of Colombia to design and implement curricula and reference materials to teach techniques for AML investigators and prosecutions.

**Ecuador:** The United States provided technical assistance and training for the multi-disciplinary interagency task force formed with the FIU, the AGO, and the Strategic Center for Intelligence including law enforcement officials from the armed forces, National Police and State security forces. INL conducted 12 training sessions, Pan American Development Foundation conducted

four, and the U.S. Department of Homeland Security conducted two sessions with FIU and AGO personnel. INL also developed a handbook for investigating and prosecuting money laundering and a guide that includes the best practices for financial investigations.

**Peru:** The United States supported AML trainings on virtual currencies and financial technology.

**Suriname:** The FIU is developing further technical skills through INL-supported training programs.

## Department of the Treasury

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

FinCEN is the United States' financial intelligence unit (FIU), administrator of the Bank Secrecy Act, and primary regulator of anti-money laundering/combating the financing of terrorism (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 training; and programs that enhance analytic capabilities and strengthen operational collaboration to identify, track, and develop actionable operational intelligence.

In May 2021, FinCEN successfully launched Phase I of the Counter Illicit Finance Teams (CIFT) via a virtual workshop with the FIUs of Brazil and Paraguay. The workshop focused on the Tri-Border Area common to Argentina, Brazil, and Paraguay. The workshop included FinCEN-led roundtable discussions on investigations of suspicious activity in connection with virtual assets from an FIU perspective, FinCEN's advisory program, and FinCEN's additional reporting requirements in high-risk areas through special authorities such as geographic targeting orders. In September 2021, FinCEN implemented Phase II of the CIFT via a virtual workshop for the FIUs, law enforcement (including customs inspections and investigations), prosecutorial, and security authorities of Argentina, Brazil, Paraguay, and the United States. That workshop included: a United States Department of Justice (USDOJ) presentation on how prosecutorial and law enforcement authorities should collaborate and use FIU information in money laundering investigations; a USDOJ-FinCEN joint presentation and roundtable discussion about challenges and best practices in investigating crime involving virtual assets; a Homeland Security Investigations presentation about the effective use of FIU reports to track down targets in drug trafficking cases; and additional FinCEN presentations on relevant topics.

FinCEN gave presentations on multiple occasions to FIUs and foreign police officials to enhance their understanding of analytic techniques, particularly related to terrorist financing threats, in collaboration with other U.S. authorities.

FinCEN engaged in multilateral forums to discuss terrorist financing and racially and ethnically motivated violent extremism with representatives from law enforcement agencies, FIUs, and other relevant agencies from several foreign governments and international organizations.

In March 2021, FinCEN conducted virtual currency training for the United Kingdom Financial Intelligence Unit (UKFIU) and participated in a FinCEN/UKFIU roundtable discussion on a variety of AML/CFT topics of importance to both sides.

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## ***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 evasion, money laundering, terrorist financing, and public corruption. With funding provided by the Department of State (DOS), Department of Justice (DOJ), and other sources, IRS-CI delivers training through agency and multi-agency technical assistance programs. For the first half of 2021, the IRS-CI International Training Team (ITT) continued the delivery of virtual training programs to meet the needs of our international training partners. IRS-CI offered webinar case studies focused on a variety of financial techniques and investigations involving financial crimes. These webinars benefited criminal investigators and their supervisors, tax enforcement officials, and government prosecutors in combating serious crimes. The IRS-CI international training program delivered webinars for government officials in Argentina, Azerbaijan, Bahamas, Belize, Bolivia, Brazil, Chile, Colombia, Croatia, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Indonesia, Jamaica, Mexico, Moldova, Namibia, Panama, Paraguay, Philippines, South Africa, Suriname, Taiwan, Turkey, and Uruguay.

In June 2021, the ITT resumed the delivery of in-person training with two back-to-back Financial Investigations for Public Corruption courses in Panama City, Panama. The ITT also supported the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL) International Law Enforcement Academy (ILEA) program through the delivery of in-person trainings at ILEA San Salvador, El Salvador; the West Africa Regional Training Center in Accra, Ghana; and ILEA Budapest, Hungary.

In total, the ITT generated over 700 contacts with foreign officials through the delivery of international training. The individuals contacted are from many government agencies, including financial intelligence units, tax/revenue authorities, national police units, attorney general's offices, and ministries of justice, and hold a variety of positions. In addition to working with these foreign officials, the ITT also partnered with numerous United States entities for the delivery of international training to include the Federal Bureau of Investigation; the DOS, including INL; the DOJ Office of Overseas Prosecutorial Development Assistance and Training Program; and the National Center for State Courts.

## ***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 United States. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, as well as consumer protection laws and implementing regulations. The OCC sponsored several initiatives to provide anti-money laundering/combating the financing of terrorism (AML/CFT) training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2021 AML School was a virtual school and was attended by foreign supervisors from Antigua & Barbuda,

Argentina, Aruba, Barbados, Belize, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Spain, Suriname, and Uruguay. Additionally, OCC officials met with representatives from foreign law enforcement authorities, financial intelligence units, and AML/CFT supervisory agencies to discuss, among other things, the development of international standards, the U.S. or foreign jurisdiction's AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

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

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

The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to help foreign governments develop and implement anti-money laundering/combating the financing of terrorism (AML/CFT) regimes that meet international standards. In this context, the ECT also addresses underlying predicate crimes, including corruption and organized crime. To ensure successful outcomes, ECT engagements are based on express requests from foreign government counterparts. The ECT responds to a request with an onsite assessment, which considers the jurisdiction's noncompliance with international standards and the corresponding needs for technical assistance, the willingness by the counterparts to engage in an active partnership with the ECT to address those deficiencies, and the overall political will to institute reforms.

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 trade-based money laundering; asset seizure, forfeiture, and management; and the use of interagency financial crimes working groups.



In 2021, following these principles and methods, the ECT delivered technical assistance to Angola, Belize, Botswana, Dominican Republic, Ecuador, Estonia, Iraq, Latvia, Maldives, Mongolia, Sierra Leone, Sri Lanka, and Zambia.

## Comparative Table Key

The comparative table following the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2021, 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 via suspicious transaction reports (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.
- "Beneficial Ownership Data Collection & Retention Provisions:" By law or regulation, competent authorities and/or banks and other covered entities are required to collect and retain beneficial ownership information.
- "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, memoranda of understanding, 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 United States.” 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	Beneficial Ownership Data Collection & Retention Provisions	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
<b>Govt/Jurisdiction</b>														
<b>Afghanistan<sup>1</sup></b>	Y	Y	Y	Y	Y	N	N	Y	N	N	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	Y	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	Y	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>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	Y
<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

<sup>1</sup> Laws and regulations were adopted before the Taliban’s rise to power. Enforcement of these laws under the Taliban is unknown.

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

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Beneficial Ownership Data Collection & Retention Provisions	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>Benin</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Bolivia</b>	Y	Y	Y	Y	Y	N	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	N	Y	N	Y	Y	Y	Y	N
<b>Cabo Verde</b>	Y	Y	Y	Y	Y	N	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	Y	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	N	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
<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

<sup>3</sup> The UK extended its application of the 1988 UN Drug Convention, the UN Convention against Corruption, and the UN Convention against Transnational Organized Crime to British Virgin Islands and Cayman Islands.

<sup>4</sup>

<b>Area administered by Turkish Cypriots</b>	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	Beneficial Ownership Data Collection & Retention Provisions	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. states	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>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	Y
<b>Honduras</b>	Y	Y	Y	Y	Y	N	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
<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	Y
<b>Kazakhstan</b>	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Kenya</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Kyrgyz Republic</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

<sup>5</sup> The People's Republic of China extended the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention against Corruption to the special administrative regions of Hong Kong and Macau.

<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>Beneficial Ownership Data Collection &amp; Retention Provisions</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S.</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>Laos</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Macau<sup>5</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	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	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Nigeria</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
<b>Pakistan</b>	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
<b>Panama</b>	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Paraguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	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>Saint Kitts and Nevis</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Saint Lucia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Saint Vincent and the Grenadines</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Cross-Border Transportation of Currency</b>	<b>Beneficial Ownership Data Collection &amp; Retention Provisions</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Information exchange agreements with non-U.S.</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>Senegal</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Seychelles</b>	Y	Y	Y	Y	Y	Y	Y	N	N	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	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Suriname</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Tajikistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Tanzania</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Thailand</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Trinidad and Tobago</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkey</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>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	Y	Y	Y	Y	Y	N
<b>United Arab Emirates</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>United Kingdom</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N



# Afghanistan

## OVERVIEW

Shaped by fragility, slow economic growth, and international aid dependence, recent political developments have pushed Afghanistan into economic crisis. Afghanistan's economy experienced immediate repercussions following the Taliban takeover of the country in August 2021. Loss of access to offshore assets, cessation of non-humanitarian international assistance, and disruption to trade and financial linkages led to overwhelming economic hardship across the country. Basic health and education services face collapse because of liquidity challenges and international aid reductions.

Prior to August 15, 2021, the country was plagued by a third COVID-19 wave, accelerating inflation, and increased energy prices and costs for basic household goods, among other issues. Government revenue collection was also insufficient to cover planned public expenditures throughout 2021 and worsened as the Taliban captured major border crossings. The availability of physical cash, dollars or afghani, quickly evaporated, creating an immediate liquidity crisis and longer-term insolvency crisis in the financial sector as foreign banks, due to internal risk mitigation measures, stopped conducting financial transactions with Da Afghanistan Bank (DAB), Afghanistan's central bank, and other commercial banks.

Prior to the Taliban takeover, Afghanistan was improving in its efforts to monitor and regulate currency transactions and counter narcotics trafficking. DAB officials insist they continue to implement the laws and regulations previously adopted, including enforcement actions against two ISIS-K accounts based on suspicious activity reporting. The DAB's technical capacity to continue its previous central bank functions as well as its ability to follow through on Afghanistan's commitments remains an open question. The Taliban have not announced the adoption of any purported anti-money laundering/combating the financing of terrorism (AML/CFT) laws and regulations.

## VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

While much economic activity in Afghanistan is informal, with hawala networks providing financial and non-financial business services in local, regional, and international markets, the vast majority of Afghanistan's international trading companies, international donors, and international assistance organizations moved billions of dollars in foreign assistance through the formal financial sector where previously DAB exercised oversight functions. With many Afghans conducting financial transactions outside of the formal banking system, irregular cash transactions and transfers through hawaladars form the nexus of Afghanistan's money laundering problems. Hawala does not depend on the legal enforceability of claims and can operate without legal and juridical environments. During the Taliban rule (1996-2001), Afghanistan's financial system relied heavily on hawala. The Taliban are unlikely to enforce international sanctions and regulate the hawala money transfer system.

## KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

Prior to the Taliban takeover of Afghanistan in August 2021, the country had a comprehensive AML law with significant provisions on the criminalization of money laundering, customer due diligence (CDD) and suspicious activity reporting (SAR) provisions, and asset seizure and forfeiture authority. In 2016, DAB issued a regulation pursuant to Article 69 of the *Anti-Money Laundering and Proceeds of Crime Law* requiring all financial institutions to develop effective frameworks, preventive measures, systems, controls, and practices to manage their potential money laundering/terrorist financing risks. In 2014, the government established the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's financial intelligence unit (FIU).

Following the Taliban takeover, there is at present no indication of an existing mechanism for investigating, prosecuting, and adjudicating narcotics trafficking.

FinTRACA is a member of the Egmont Group of FIUs (Egmont Group). However, the Egmont Group disconnected FinTRACA from the secured web server that allowed FinTRACA to exchange secured information with other Egmont member FIUs. FinTRACA currently is non-operational. Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=69810087-f8c2-47b2-b027-63ad5f6470c1>.

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

Although DAB, prior to the Taliban takeover, acted to improve oversight of the hawala sector, problems persisted. Assessments conducted by the Afghan government and the U.S. government found recurring systemic issues involving a lack of CDD and failure to file SARs. DAB's efforts to corporatize hawaladars prompted multiple strikes by hawala leadership in 2021, including a 16-day strike in May, though many hawaladars did eventually comply with the corporatization requirements.

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

Currently, it is unclear whether Afghanistan will maintain its membership in the APG and Egmont Group under the so-called interim "caretaker" cabinet announced by the Taliban.

With a quarter of Afghanistan's commercial banks state-owned, it is unclear the extent to which the Taliban will enforce AML/CFT rules, including administration of the hawala sector. DAB and FinTRACA may experience major changes as Taliban representatives now oversee these organizations that previously investigated Taliban finances and coordinated responses through law enforcement and other channels.

## **Albania**

### **OVERVIEW**

While the Government of Albania made progress toward thwarting money laundering (ML) in 2021, much more remains to be done. On July 1, 2021, a new law requiring companies to register both beneficial owners and bank accounts entered into force. The law allows real-time access for law enforcement authorities and data analysis that will better facilitate ML and financial crime investigations and tracing of illicit assets. Albania further adopted new requirements mandating all transactions be recorded electronically and reported to tax authorities on a real-time basis. While the requirement entered into force on September 1, 2021, businesses have been given a compliance grace period until year end 2021.

Albania remains vulnerable to ML due to corruption, the presence of organized crime networks, and gaps in legislation and supervision. Albania has a large cash economy and informal sector, with significant remittance and investment money inflows from abroad. Narcotics trafficking and other organized crime activity are the major sources of laundered funds. Albanian criminal organizations have links with networks operating broadly across Europe and in South America. Albania continues to use its anti-Mafia confiscation law to seize companies associated with drug trafficking and corruption.

Ongoing judicial reforms have improved Albania's prospects for addressing ML. These efforts, however, are still hampered by capacity challenges, insufficient supervisory oversight of certain sectors, and the need to improve cooperation among law enforcement and supervisory bodies.

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

Major proceeds-generating crimes in Albania include drug and human trafficking, tax evasion, and smuggling of goods and humans. Albania's location in Europe and the presence of Albanian networks in organized crime in Western Europe and South America increase vulnerabilities. Construction, real estate, and business development projects are among the most prevalent methods of laundering illicit proceeds.

While most gaming establishments were closed and outlawed in 2019, legislation still allows gaming in casinos at five-star resorts. Remaining casinos and gaming establishments are supervised by the Gambling Supervisory Agency. Online betting, though illegal, still occurs in establishments using platforms located outside of Albania.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Albania has comprehensive customer due diligence and suspicious transaction reporting requirements in place.

Implementation of recent legal and policy changes has been inconsistent. Albania's anti-illicit enrichment legislation gives the Special Anticorruption and Organized Crime Structure (SPAK) and the Albanian State Police (ASP) asset seizure and confiscation authority and limits the economic activity and free movement of criminals. While effective in initial asset seizure, meeting evidentiary requirements for final asset seizure remains challenging. The *Anti-Mafia Law* was amended in 2020 to improve management of confiscated assets.

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

Albania and the United States do not have a bilateral mutual legal assistance treaty. A bilateral extradition treaty has been in force since 1935, and other cooperation is possible through multilateral conventions.

Albania's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Albania is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent evaluation is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/albania>.

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

Constitutional and legal reforms in recent years include reforms of the justice system and vetting of judges and prosecutors for unexplained wealth. Forty-two percent of judges and prosecutors vetted to date have failed as a result of unexplained wealth or personal ties with questionable entities, and a further 17 percent have resigned, likely to avoid scrutiny.

A largely cash-based economy and weak border controls and customs enforcement facilitate a substantial black market for smuggled goods. Courts often refuse to convict for ML absent a conviction for a predicate offense.

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

Albania must implement existing laws effectively, exercise effective supervisory functions, improve supervisory and law enforcement cooperation, and continue to develop the capacity of its police and prosecutors to focus on corruption, ML, and economic crimes. Implementation of substantial criminal code reforms in 2016 and 2017 is still a challenge. Despite a sizeable number of ML investigations in recent years, the number of related prosecutions remains low. In the first nine months of 2021, there were 32 individual convictions for ML. The ASP referred to prosecutors 318 ML cases in the first nine months of 2021. In the first nine months of 2021, 1,135 individuals were prosecuted for corruption, a 37 percent increase over the corresponding period in 2020. The Agency for Administration of Sequestered and Confiscated Assets registered \$19.7 million in seized cash and property in the first six months of 2021, an increase from the corresponding period in 2020.

In 2021, SPAK seized millions of dollars in assets, including real estate, corporate shares, and two television channels, from Ylli Ndroqi, a businessman accused of unsubstantiated assets and association with drug trafficking.

In July 2021, SPAK prosecutors arrested 38 suspects, including a prosecutor, the ASP section chief for narcotics trafficking, four senior police officers, and one local government director on drug trafficking charges. The defendants are under investigation for corruption, abuse of office, ML, and other related criminal activity. During the operation, SPAK seized assets valued at

more than \$4 million, as well as six metric tons of drugs worth approximately \$65 million.

## 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 to 50 percent of GDP, is vulnerable to abuse by criminals.

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 financial intelligence unit (FIU).

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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 restricted convertibility of the Algerian dinar enables the Bank of Algeria, the central bank, 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, incidences of trade-based money laundering, and parallel market currency transactions 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 and Mali threatens the security of Algeria's borders and provides openings for extremist organizations and transnational criminal networks to gain strength.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

In 2021, Algeria amended its penal code to create a national terrorism watch list and commission, which allows authorities to freeze the assets of suspected terrorist organizations. The following laws are applicable to money laundering in Algeria: *Executive Decree no. 06-05*, addressing suspicious transaction reporting (STR) requirements; *Executive Decree no. 13-157*,

on the creation, organization, and functioning of the CTRF; *Executive Decree no. 15-153*, fixing thresholds for payments that must be made through the banking and financial systems; and *Law no. 15-06*, establishing rules for the application of the penal code to money laundering and terrorism financing.

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 \$731. In addition, Algerians must use the formal banking system to complete all payments for certain purchases above the following amounts: approximately \$36,530 for real estate and \$7,300 for goods and services. Noncompliance with these provisions could result in sanctions against the individual and/or financial institution.

Algeria has a mutual legal assistance treaty (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. Provisions in the MLAT provide for asset sharing.

The CTRF is a member of the Egmont Group of FIUs. Algeria is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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. In 2020, Algeria created a specialized financial crimes unit within the court of Sidi M'Hamed, Algiers, which prosecuted 723 people for financial crimes and corruption between September 2020 and May 2021.

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 of applicable requirements. The CTRF is engaged in an internal review to identify additional weaknesses.

Only foreign politically exposed persons 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. The CTRF reported 1,578 STRs in 2020, a decline from 2,300 in 2019 attributed in part to the COVID-19 crisis. In addition, CTRF received 74 confidential reports from the customs office, tax authorities, and the central bank.

The CTRF referred 14 cases to the Ministry of Justice in 2020, of which nine cases related to corruption. None of the cases of suspected money laundering related to trafficking of narcotics.

## Antigua and Barbuda

### OVERVIEW

Antigua and Barbuda's economy is dependent on tourism. The country has an economic citizenship program as well as an offshore financial services sector. Antigua and Barbuda has continued efforts to improve its anti-money laundering/combating the financing of terrorism (AML/CFT) regime.

Antigua and Barbuda's Office of National Drug and Money Laundering Control Policy (ONDCP) is an independent law enforcement agency established to enforce the provisions of the country's AML/CFT framework. ONDCP has authority to investigate reports of suspicious activity concerning money laundering/terrorist financing (ML/TF), narcotics trafficking, and the proceeds of crime. It houses the country's financial intelligence unit (FIU).

ONDCP's National Oversight Committee on Financial Action (NOCFA) was established to further strengthen AML/CFT efforts. NOCFA is reviewing the country's legal and supervisory framework and developing legislative amendments to address AML/CFT deficiencies.

The country is a member of the Eastern Caribbean Central Bank (ECCB), which issues a common currency for its members. The ECCB supervises commercial banking activities. As of April 2021, the ECCB began a yearlong pilot program developing "DCash," the first such blockchain-based currency introduced by any of the world's currency unions. Antigua and Barbuda is one of the four pilot jurisdictions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The major sources of illicit funds are drug trafficking, corruption, illegal fishing, cybercrime, and fraud, including pyramid investment schemes. Most corruption cases arise from requests for assistance received from foreign jurisdictions. The main ML typologies are the use of shell companies, front operations, wire transfers, and structuring deposits. AML experts identify international banks, money service businesses, and the insurance sector as the most vulnerable sectors.

According to the Financial Services Regulatory Commission, the financial sector includes eight international (offshore) banks, eight credit unions, 22 insurance companies, 19 corporate management and trust service providers, six offshore money remitters, and unknown numbers of international trusts, gaming entities, and international business companies (IBCs). As of December 2016, the most recent data available, the offshore sector hosted 5,102 IBCs, of which 3,635 were active. The country offers both casinos and online betting.

Bearer shares are permitted for IBCs. The resident agent must maintain a register of the total number of such shares issued and the names of the beneficial owners.

Antigua and Barbuda has one small free trade zone.

The Citizenship by Investment Program provides applicants the possibility of citizenship via four channels: a contribution to the National Development Fund; a contribution to the University of the West Indies Fund; an investment in an approved real estate project; or an investment in an eligible business. Applicants undergo background checks to ensure they have no criminal record or pending charges and are not suspected of any terrorist activity. Additionally, nationals of Iran, Iraq, North Korea, Yemen, Somalia, and Sudan are disqualified from applying unless they have been granted citizenship or residency in Canada or the United States.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The AML/CFT regime for the country consists of the *Money Laundering Prevention Act (MLPA)*, *Office of National Drug and Money Laundering Control Policy Act*, the *Money Laundering (Prevention) Regulations*, and the *Money Laundering and Financing of Terrorism Guidelines*, among other laws and regulations. This framework includes obligations on both financial institutions and designated non-financial businesses and professions (DNFBPs) to implement customer due diligence, suspicious transaction reporting procedures; and enhanced due diligence for politically exposed persons. The *Electronic Crimes Act 2020* permits law enforcement agencies to obtain warrants to search the contents of electronic devices.

The country has a mutual legal assistance treaty (MLAT) with the United States. The *Mutual Assistance in Criminal Matters Act 2020* contains provisions to improve the effectiveness with which MLAT requests are executed.

Antigua and Barbuda's FIU is a member of the Egmont Group of FIUs, and the country is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its mutual evaluation report is available at: <https://www.cfatf-gafic.org/member-countries/antigua-and-barbuda>.

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

AML legislation covers legal persons, but the penalties for noncompliance have not been strong deterrents. Antigua and Barbuda should take steps to further deter ML activity by strengthening the sanctions for noncompliance.

Noted AML deficiencies include the identification of vulnerable non-profit organizations and unregulated DNFBPs such as car dealers, travel agents, pawnbrokers, jewelers, and precious metals dealers. The supervision of DNFBPs is inconsistent and not risk-based. However, *MLPA* amendments and regulations issued in 2021 require registration and monitoring of DNFBPs not subject to a licensing regime, with the goal of preventing criminals from controlling such entities.



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**ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The government continues to address the issues noted in its national ML/TF risk assessment. Antigua and Barbuda reports it has implemented information-sharing between ONDCP and Customs and Excise to address suspicious shipments.

The government has successfully frozen and forfeited assets over the last several years under the *Proceeds of Crime Act*.

ONDCP and the Royal Police Force of Antigua and Barbuda are conducting 10 ongoing financial investigations related to drug trafficking, fraud, corruption, and larceny. In support of the investigations, 17 court orders have been issued to produce financial records, as well as two freeze orders for assets totaling \$3.5 million.

Antigua and Barbuda implemented a mandatory risk-based approach to AML for financial institutions, in contrast to its rules-based supervision of DNFBPs.

## **Argentina**

### **OVERVIEW**

Narcotics trafficking and public corruption present significant anti-money laundering/combating the financing of terrorism (AML/CFT) challenges to Argentina. The Tri-Border Area (TBA), shared with Brazil and Paraguay, is home to multi-billion-dollar trade-based money laundering (TBML), counterfeiting, drug trafficking, and smuggling. Additionally, many of the money laundering (ML) organizations in the TBA have suspected links to the terrorist organization Hizballah.

Argentina has not made material AML/CFT progress in recent years. Argentina has yet to conduct an AML national risk assessment (NRA) or develop national strategies to combat ML/terrorist financing (TF). The National Committee for Combating Money Laundering and Terrorist Financing has yet to propose AML/CFT policies. Limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to significantly reduce the flow of illicit proceeds.

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

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Tax evasion and the sale of counterfeit goods generate significant revenue. The lack of effective regulatory oversight of financial institutions, money value transfer services, exchange houses, real estate, and gaming contribute to their susceptibility to ML/TF activity.

Argentina lacks adequate controls to prevent cross-border transport of contraband and bulk cash, and authorities have detected numerous TBML schemes. The cash-intensive economy and a large informal sector create additional ML/TF opportunities.

Argentina has 10 free trade zones and a special customs area in the province of Tierra del Fuego. Argentina is not a financial offshore center. Instead, high taxes and tight capital controls often prompt citizens to move their wealth abroad. Government-imposed capital controls drive activity into the informal exchange market and increase the use of cash. Narcotraffickers and money launderers use the illegal market to launder illicit funds.

The government does not prohibit or heavily regulate digital assets. Specific regulations mostly relate to reporting and tax regimes. In May 2021, Argentina's central bank and the National Securities Commission issued a joint statement warning about the risks of virtual currencies. They note ML/TF risks and potential noncompliance with foreign exchange regulations. Argentines adopted the use of virtual currencies early, in part to circumvent capital controls, and are increasingly engaging in their use.

Gaming operators are covered under Argentina's AML/CFT regulation. The headquarters of the Argentine Football Association and several high-profile local football clubs were raided by police in 2021, as part of an investigation into alleged ML and tax evasion related to the transfer of professional football players to Mexico.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Argentina has comprehensive customer due diligence and suspicious transaction report regulations and politically exposed persons are subject to enhanced due diligence. In 2021, the financial intelligence unit (FIU) issued a new resolution regarding the identification and verification of ultimate beneficial owners of legal persons.

Argentina and the United States have a mutual legal assistance treaty and customs mutual assistance agreement in place and participate in the Argentina-U.S. Dialogue on Illicit Finance, a bilateral initiative to identify and address shared ML/TF threats and vulnerabilities. Argentina Customs maintains an active trade transparency unit to combat TBML through shared analysis of trade data with the United States.

The FIU is a member of the Egmont Group of FIUs. Argentina is a member of the Financial Action Task Force (FATF) and the FATF of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Argentina.pdf>.

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

Effective implementation of the AML regime continues to be a challenge. Argentina has not initiated an AML NRA. It completed (but has not yet published) its CFT/counter-proliferation NRA. Many designated non-financial businesses and professions (DNFBPs) have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML/CFT compliance.

Lack of political will and institutional independence for AML/CFT enforcement agencies, combined with a slow judicial system, results in a low number of convictions for AML/CFT-related crimes.

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

The FIU has an outsized role in the AML/CFT regime due to a lack of interagency coordination, its role as the supervisor of DNFBPs, and its unique authority to serve as a party to criminal prosecutions on AML/CFT cases. Argentina needs to continue to strengthen and professionalize its FIU. On October 29, 2021, the FIU president and vice president resigned after the FIU's lead prosecutor in an ongoing corruption case reported the FIU president for alleged harassment and threats against members of the FIU criminal litigation staff.

According to FIU data, there were 35 ML convictions in 2019 (the latest available summary data). In February 2021, legal authorities convicted and imprisoned a local businessman (Lázaro Baez) and 21 other defendants for laundering \$55 million in assets derived from corruption in public contracting during the Kirchners' presidencies (2003-2015). In September 2021, a bitcoin operator was convicted and sentenced to prison and a fine for laundering over \$400,000 for Mexican drug traffickers.

Argentina's ML enforcement regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, is limited. Systemic deficiencies in Argentina's justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, and inexperience with financial crimes among judges and prosecutors.

## **Armenia**

### **OVERVIEW**

Armenia strengthened its anti-money laundering/combating the financing of terrorism (AML/CFT) legislation during 2021, while law enforcement authorities continued pursuing criminal cases against high-level officials from prior governments and associated oligarchs. In 2021, Armenia introduced provisions that will subject legal entities to criminal penalties for money laundering, widen the definition of politically exposed persons (PEPs), and establish a centralized bank account register.

Based on 2020 legislation, prosecutors can now initiate cases of non-conviction-based forfeiture of unjustified assets, which are subject to examination by specialized civil judges. Recent amendments to the Judicial Code authorize establishment of a specialized anticorruption court.

Bank secrecy laws remain largely unchanged from 2020 and continue to hinder investigators from gaining access to banking records.

According to preliminary findings in Armenia's 2017-2020 national risk assessment (NRA), the risk of money laundering has been assessed as medium and that of terrorist financing (TF) as

low.

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

Armenia is located on a route between narcotics source countries and European and Russian markets. Armenia maintains control over the law enforcement, prosecution, and judiciary functions. Russian border guards are present at Armenia's borders with Turkey and Iran, where smuggling is known to occur, as well as at the international airports in Yerevan and Gyumri.

Although the government is implementing an ambitious anticorruption program, vulnerabilities remain, including narcotics smuggling, the shadow economy, significant inflows of remittances, hidden assets within the robust real estate/construction sector, and use of cash.

Armenia has casinos, regulated by the Ministry of Finance, in addition to online and virtual gaming establishments.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Central Bank of Armenia regulates the financial sector, including the banks that comprise about 90 percent of all financial system assets. The financial sector is required to implement customer due diligence (CDD) provisions and report suspicious transactions to the Financial Monitoring Center (FMC), Armenia's financial intelligence unit (FIU). By October 2021, more than 200 STRs had been filed with the FMC.

Requirements concerning CDD, suspicious transaction reports, and enhanced due diligence (EDD) for politically exposed persons (PEPs) are stipulated in the AML/CFT Law and the *Regulation on Minimum Requirements to Reporting Entities*. In 2021, amendments widen the definition of PEPs to cover domestic PEPs, such as high-ranking officials. PEPs, their family members, and associated persons are designated as high-risk and are subject to EDD. Armenia also introduced provisions effective January 1, 2023, that will subject legal persons to criminal penalties for money laundering. In November 2021, the Parliament approved a law requiring all payments above approximately \$600 (300,000 Armenian dram) be made in electronic form. Separately, the *Law on the Central Bank of Armenia* was amended to allow for establishment of a centralized bank account register. The law will enter into effect on January 1, 2022.

The May 2020 *Law of the Republic of Armenia "On Civil Forfeiture of Illegal Assets"* allows prosecutors to initiate cases of non-conviction-based forfeiture of unjustified assets, which are subject to examination by specialized civil judges. Recent judicial code amendments have authorized establishment of an anticorruption court, which will also oversee civil forfeiture-related cases that could involve money laundering elements.

The United States and Armenia do not have a bilateral mutual legal assistance treaty.

The FMC is a member of the Egmont Group of FIUs. Armenia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is

available at: <https://www.coe.int/en/web/moneyval/jurisdictions/armenia>.

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

Armenia has achieved progress in strengthening its AML regime; however, moderate shortcomings remain. Bank secrecy laws require investigators to indict a suspect before obtaining banking records, hindering some money laundering investigations. In 2020, the parliament adopted amendments to the secrecy law to expand access for investigators to banking information, but the Constitutional Court struck down the amendments. No new draft legislation has been introduced to address the Constitutional Court's concerns, although 2021 amendments to Armenian laws broaden the definition of persons and entities that can be subpoenaed for financial information.

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

Armenia's 2017-2020 national risk assessment has not been published as of yearend 2021. According to preliminary findings, the risk of money laundering has been assessed as medium, and TF as low.

Since the 2018 revolution, law enforcement authorities continued to actively build money laundering cases. From January to October 2021, law enforcement agencies submitted more than 500 requests to the FMC in relation to 140 criminal cases, including those involving money laundering elements. Many cases were initiated based on charges for predicate offenses such as corruption, embezzlement, tax evasion, theft, abuse of power, and fraud. Armenian authorities reported one money laundering conviction in 2021. Separately, from January 2020 to September 2021, the Prosecutor General's Office initiated 250 non-conviction-based asset forfeiture-related cases.

## **Aruba**

### **OVERVIEW**

Aruba is not considered a regional financial center. Because of its location between North and South America, Aruba is a transshipment point for drugs and gold from South America bound for the United States and Europe, and for currency flowing in both directions. Aruba is a country within the Kingdom of the Netherlands (the Kingdom). The Kingdom retains responsibility for foreign policy and defense, including negotiating and concluding international conventions in those areas. There is a law enforcement memorandum of understanding (MOU) between the four Kingdom countries and the United States for joint training activities and sharing of information. The Dutch-based legal system is effective in the detection and prosecution of money laundering suspects.

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

Bulk cash and gold smuggling represent a risk due to Aruba's location. 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 customer due diligence (CDD) provisions and financial intelligence unit (FIU) reporting obligations. There is no significant black market for smuggled goods.

Sanctions against Aruba's traditional trading partner, Venezuela, as well as closed borders between the two countries, negatively affect Aruba's economy. Some Venezuelan real estate investors in Aruba are suspected of using illicit funds. Aruban law enforcement agencies are investigating illegal underground banking, money laundering, and suspicious cash transfers by Chinese business owners.

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 free trade zones (FTZs). Financial services, banks, and insurance companies are not permitted to operate in the FTZs. Casinos and online gaming are allowed, subject to CDD provisions and FIU reporting requirements.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Central Bank of Aruba (CBA) serves as the country's prudential and anti-money laundering/combating the financing of terrorism (AML/CFT) supervisor for the financial sector. CBA's AML/CFT oversight covers financial institutions as well as designated non-financial businesses and professions, including lawyers, civil notaries, accountants, and casinos.

The *State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing* sets rules regarding CDD, identification and verification of customers, and the reporting of unusual transactions. In 2020, Aruba temporarily banned gold trading/imports from Venezuela to regulate the gold trade and has since passed a permanent law to maintain the ban. Reporting entities are obligated by law to provide all relevant information regarding the involved parties in a transaction in an unusual transaction report (UTR), regardless of it being a legal entity or a natural person.

The Kingdom may extend international conventions to the countries within the Kingdom if the countries agree. The Kingdom extended to Aruba the application of the *1988 United Nations (UN) Drug Convention* in 1999 and the *UN Convention against Transnational Organized Crime* in 2007. The Kingdom has also extended to Aruba the application of 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* between the United States and the Kingdom. In accordance with international agreements entered into by the Kingdom, each constituent country can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The constituent countries may conclude, within parameters, MOUs in areas in which they have autonomy.

The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-European Union provisions, was not extended to Aruba. The 1981 mutual legal assistance treaty between the Kingdom and the United States applies to Aruba and is regularly used by U.S. and Aruban law enforcement agencies.

Aruba's FIU is a member of the Egmont Group of FIUs, and Aruba is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluationreports/aruba-2>.

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

The Kingdom has not yet extended the application of the *UN Convention against Corruption* to Aruba.

Reporting entities are not required to give complete identification data for a legal person in a UTR unless the FIU requests additional information.

Aruba's casino and real estate sectors are still vulnerable to money laundering threats.

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

Aruba does not have a suspicious transaction reporting system but rather a broader UTR system calling for the reporting of transactions that meet indicators set out by the Ministerial Regulations for banks, money transfer companies, life insurance companies and intermediaries. Service providers are required to report large cash transactions and wire transactions over stated thresholds, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

The four FIUs within the Kingdom recently implemented a secure network (FCInet) with highly effective privacy-enabled data matching capabilities. The FIU seeks to extend these tools to other partners.

In 2020, as one of the Netherlands' conditions for COVID-19 economic relief, Aruba agreed to a Kingdom consensus law giving the Kingdom more authority to supervise financial issues in the future.

## **Bahamas**

### **OVERVIEW**

Due to its proximity to Florida, The Bahamas is 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 financial services, real estate, online gaming/casinos, and money transmissions. In 2021, The Bahamas enacted legislation to enhance

its anti-money laundering/combating the financing of terrorism (AML/CFT) legal, regulatory, and enforcement regimes; boosted its IT infrastructure; and increased AML resources. Greater focus on small money transfers and online gaming sector vulnerabilities is needed.

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

The Bahamas earns 20 percent of GDP through financial services. The international bank and trust sector has over \$442 billion in assets and \$11 trillion in cross-border flows, while the domestic banking sector has \$18 billion in assets and \$70 billion in deposit flows. Banks and trust companies face 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. Trust companies, in particular, may be used to conceal beneficial ownership. As of December 2020, there were 48 licensed fund administrators, 712 licensed funds, and 342 licensed financial corporate service providers in The Bahamas. As of June 2021, there were 24,654 international business companies.

The Bahamas identifies its real estate sector, valued at \$1.65 billion in 2020, as highly vulnerable given the high demand by foreigners and large sums associated with the market. Less AML focus is given to the smaller money transmission sector, which remains vulnerable given the large number of transactions, high numbers of one-off and non-resident customers, and usage by undocumented migrants.

The Bahamas faces money laundering challenges in its casinos and online gaming industries. The central bank reports that from January to September 2021 casinos generated \$856 million in sales and \$131 million in gross revenues. Online gaming, which ostensibly is restricted to citizens and residents, generated \$3.2 billion in sales and \$136 million in gross revenues in a country with a population of less than 400,000.

In October 2020, The Bahamas launched the world's first central bank digital currency, the Sand Dollar. It is not transacted internationally and is subject to tiered customer due diligence requirements based on holdings size and other AML/CFT requirements. In September 2021, the Securities Commission registered its first digital assets business under the *Digital Asset and Registered Exchanges Act, 2020 (DAREA)*.

The country's lone free trade zone (FTZ) is in the city of Freeport, Grand Bahama. It is administered and managed by the Grand Bahama Port Authority, a private entity. The FTZ serves primarily as a manufacturing and international transshipment hub. The government is addressing concerns regarding container screening measures in the FTZ.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In December 2020, The Bahamas enacted the *DAREA*, which includes international AML/CFT standards to regulate the trade in digital assets. The Bahamas passed 13 additional laws, mostly amendments to existing laws or implementing regulations, to support the existing AML/CFT framework. The Office of the Attorney General confirms these laws were enacted and entered into force. Additional AML/CFT bills have been drafted for the 2021/2022 legislative agenda.



The Bahamas legislation includes suspicious transaction report (STR) filing provisions. Technology improvements were introduced in June 2019 allowing STRs to be filed electronically with the Financial Intelligence Unit - Bahamas (FIU-B). The FIU-B attributes timelier STR reporting to these improvements. As of October 20, 2021, the FIU-B received 593 STRs for sectors with \$442 billion in assets, up 29 percent from 461 STRs in 2020.

To enhance the due diligence for politically exposed persons (PEPs), the government implemented a searchable database of legal entities registered or resident in The Bahamas and accessible by law enforcement and regulatory agencies.

The United States and The Bahamas have a bilateral mutual legal assistance treaty.

The FIU-B is a member of the Egmont Group of FIUs. The Bahamas is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/cfatf-4meval-bahamas.pdf>.

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

International experts encourage authorities to investigate and prosecute all types of money laundering. A memorandum of understanding between the FIU-B and Department of Public Prosecutions (DPP) has improved early cooperation on cases. The draft FIU act will formalize cooperation between the FIU-B and DPP.

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

The Bahamas appointed five new magistrate judges and four new Supreme Court justices in May 2021 to help address deficiencies in the AML/CFT regime. The government is also investing in improved court infrastructure and IT systems.

In 2021, there were 20 money laundering charges and four convictions, representing 20 and 60 percent decreases, respectively, from 2020. The number of filed STRs is low compared to the size and scope of the financial sector.

The multi-agency Identified Risk Framework Steering Committee, chaired by the Office of the Attorney General, met weekly in 2021, while the Group of Financial Services Regulators met quarterly. Bahamian authorities report cooperation with neighboring financial intelligence units outside of formal mutual assistance channels.

## **Barbados**

### **OVERVIEW**

Barbados has an active offshore financial services sector. The country has made some progress on its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. A comprehensive national risk assessment in 2019 identifies evolving money laundering/terrorist financing risks and vulnerabilities. Barbados developed a national action plan and began implementing risk-based measures to mitigate money laundering/terrorist financing vulnerabilities more effectively. Barbados does not have free trade zones or an economic citizenship program.

The Office of the Attorney General is responsible for leading the national AML/CFT response, working with private sector entities and government agencies, such as the financial intelligence unit (FIU), Central Bank of Barbados, and the Customs and Excise Department, among others. The Financial Services Commission (FSC) is responsible for the licensing and supervision of credit unions and non-bank financial institutions.

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

The major source of illicit funds in the country is drug trafficking. Fraud and corruption have also been identified as high-risk money laundering threats. 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. Measures taken to address drug-related money laundering risk include targeted controls at points of entry, increased maritime patrols, and better use of available intelligence by authorities. Additionally, due to its location, Barbados has been identified as a country of particular concern for Venezuelan sanctions evasion through the use of shell companies in the form of import and export businesses.

The FIU website continues to reflect trends and typologies that include the misuse of money and value transfer services, structuring, the use of pawnbrokers to sell stolen items, the solicitation of persons to wire funds, and the use of fraudulent documents to obtain loans and other services from financial institutions unlawfully.

Barbados assesses designated non-financial businesses and professions (DNFBPs) such as lawyers, as well as trust and corporate service providers (TCSPs), international banks, and certain insurers, as highly vulnerable to money laundering and terrorist financing.

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 dollars). There are no reliable statistics available on the international business company sector. The Central Bank of Barbados licenses commercial banks and holding companies, trusts, and merchant banks.

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

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Primary AML/CFT laws in Barbados include the *Money Laundering and Financing of Terrorism (Prevention and Control) Act*, as amended 2019 (*MLFTA*), the *Proceeds and Instrumentalities of Crime Act, 2019 (POCA)*, and the *Mutual Assistance in Criminal Matters Act, Cap.140*.

The *POCA* authorizes civil forfeiture proceedings against money laundering offenders and provides additional investigative tools such as orders for unexplained wealth, customer information, and disclosure. The *MLFTA* includes customer due diligence and suspicious transaction reporting obligations and covers the international financial services sector.

Barbados has a double taxation treaty and a tax information exchange agreement with the United States.

The FIU is a member of the Egmont Group of FIUs. Barbados is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/member-countries/barbados>.

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

The national action plan identifies several actions to address AML/CFT deficiencies. These include the effective application of risk-based supervision and sanctions on DNFBPs, financial institutions, and TCSPs; ensuring that accurate basic and beneficial ownership information is available on a timely basis; and ensuring that money laundering investigations and prosecutions are in line with the country's risk profile.

In addition, Barbados should pursue seizures and forfeitures in money laundering cases, including by seeking assistance from foreign counterparts.

Barbados should also become party to the *United Nations Convention against Corruption*.

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

The Barbados Police Service Financial Crimes Investigations Unit has issued cash detention orders as a part of drug-related cases, where relevant, as well as utilized disclosure and restraint order applications with the High Court as a means of furthering AML investigations.

The Anti-Money Laundering Authority (AMLA) oversees the supervision of certain DNFBPs. The AMLA and the Financial Services Unit of the Ministry of International Business and Industry have delegated supervisory functions for the sectors they oversee to the FSC, which could impact the FSC's ability to carry out its own supervisory responsibilities.

## **Belgium**

### **OVERVIEW**

Belgium's central location in Europe and strong logistics networks drive the Belgian economy

and have fostered the development of a globally integrated banking industry. Belgium's Port of Antwerp is the second-busiest maritime port in Europe, and 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. In 2020, 65 metric tons of cocaine were seized at the Port of Antwerp and a record 80 metrics tons have been seized as of October 2021.

According to Belgium's Financial Information Processing Unit (CTIF), 13 percent of its referrals to judicial authorities were drug-related in 2020, and 4 percent were related to terrorism and terrorist financing.

As money laundering techniques have become increasingly sophisticated, and as criminals have adapted their methods, CTIF introduced new analytical mechanisms in 2018 to improve the flow of information, foster cooperation with federal prosecutors, and enhance partnerships and analysis of suspicious transaction reports (STRs).

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

Belgium is emerging as a primary European repository for bulk cash from drug proceeds. Multiple crime groups collect bulk cash in Belgium and move it to South American and Asian markets through various means. Criminal networks increasingly use virtual currencies, such as bitcoin, to facilitate illegal activity in Belgium. Fueled primarily by the sale of synthetic drugs via the dark web, virtual currency has become the subject of a growing number of investigations by Belgian police.

Gaming is legal in Belgium and is 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. CTIF reports the gaming sector is increasingly used by criminals to launder money of illegal origin; CTIF presented a strategic analysis of this trend to the gaming commission in May 2021.

The closed nature of the Antwerp diamond industry presents a money laundering risk. Diamond sector companies continue to report difficulties in obtaining banking services from Belgian banks, primarily due to de-risking.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Fifth European Anti-Money Laundering (AML) Directive entered into force in July 2019, and EU member states had until January 10, 2020, to implement the directive into national law. The directive was transposed into Belgian law on July 20, 2020.

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

In November 2020, a Belgian Royal Decree introduced new AML requirements for diamond dealers. Firms wishing to trade diamonds or continue as an accredited diamond business must

submit criminal records or proof of good conduct for the company and each senior officer. At least one director must present a certificate confirming attendance at a recognized AML seminar. Companies must also declare their shareholder structure and the names of their ultimate owners. New entrants to the sector must provide the documentation to authorities before being accepted; existing traders have one year to submit their paperwork.

CTIF is a member of the Egmont Group of Financial Intelligence Units. Belgium is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/#Belgium>.

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

There are very few reported instances of bulk cash leaving the Port of Antwerp via cargo container. However, the port's large size and difficulty with effectively analyzing the contents of freight and cargo that move through the port each year – exceeding 12 million twenty-foot equivalent units in 2020 – may help facilitate the movement of illicit goods and funds.

Due to the significant levels of cocaine entering Belgium, law enforcement resources are often diverted away from investigating money laundering.

Although they appear to be subject to the AML law, platforms for exchanging virtual currencies and custodian wallet providers are not currently regulated in Belgium because of the lack of a legal depository.

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

In November 2020, top Belgian banking executives appealed to parliament to set up a platform on which banks, government authorities, public prosecutors, and the anti-money laundering police unit could better exchange information as banks seek to be partners in the fight against money laundering, rather than just reporters of suspicious transactions. In response, Belgium's Financial Sector Federation launched the AML Consultation Platform in June 2021 to allow information to be reported and shared between the private and public sector on new AML developments, trends, risks, mechanisms, and typologies observed nationally and internationally.

The number of STRs from diamond dealers remains low: in 2020, CTIF received only 4 STRs (down from 15 in 2019 and 18 in 2018). 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.

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

## **Belize**

### **OVERVIEW**

Though substantial money laundering vulnerabilities exist in Belize, it continues to upgrade its anti-money laundering/combating the financing of terrorism (AML/CFT) legal framework. Belize has demonstrated the political will to address AML/CFT vulnerabilities but has made limited efforts to implement the proper compliance monitoring and enforcement mechanisms. Stakeholder agencies have inadequate resources, making fulfilling their respective mandates challenging; the economic impact of COVID-19 resulted in significant budget and salary cuts across the public sector.

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

Drug trafficking, contraband smuggling, tax evasion, bribery, corruption, acting as a safe haven for market manipulation schemes targeting the United States, cybercrime, and fraud, including real estate investment, all contribute to money laundering activity. Belize remains primarily a cash economy. There are two free trade zones (FTZ), one managed by the public sector and the other privately managed. All businesses operating in the FTZs are privately owned; most transactions are in cash. The financial intelligence unit (FIU) is responsible for AML/CFT oversight of the FTZs.

The FIU currently supervises 1,239 designated non-financial businesses and professions (DNFBPs) operating in 12 business sectors. COVID-19 restrictions limited the FIU's examinations; desk-based reviews and virtual sessions were conducted with DNFBPs selected for their identified risk profiles.

As of October 2021, 24,638 of the 176,408 registered international business companies (IBCs) are active; 3,011 trusts are registered at the International Trust Registry, and there are 63 active foundations. The three international banks operating in Belize are regulated by the central bank. The International Financial Services Commission (IFSC), which previously supervised only offshore entities, now also oversees the local company registry and will be rebranded as the Financial Services Commission (FSC). Although the IFSC has increased personnel in its compliance unit, insufficient human resources continue to present an obstacle to fulfilling its expanded mandate.

Six casinos operate in Belize, with cumulative annual revenues estimated at \$30 million. There are 25 other gaming establishments and one online gaming license. The FIU supervises the gaming sector for AML compliance, however, its limited human resources continue to pose monitoring challenges. In 2020, 45 gaming entities were registered with the Gaming Control Board (GCB) while the FIU showed only seven registered entities. In 2021 the FIU listed 33 registered entities while the GCB listed 30 registered entities.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Belize has a comprehensive AML/CFT legal, policy, and regulatory framework that it continues to strengthen. Belize passed key legislation to strengthen AML/CFT compliance and combat corruption: *The Electronic Transfer Act 26 of 2021*; *Stamp Duties (Amendment) (no.2) Act 23 of 2021*; *Companies (Amendment) Act, 2021*; *Data Protection Act, 2021 updated*; *Protected*

*Disclosures Act 2021; Public Sector Data Sharing Act 27 of 2021; Companies Act 17 of 2021; Stamp Duties Act 18 of 2021; and the Tax Administration and Procedure (Amendment) Act 19 of 2021, updated.* These laws create offenses related to electronic banking transactions, allow the interagency sharing of data, provide data sharing protections, lower the cost of company formation, increase transparency in public funds accounting relating to company registration, and add funds for mutual legal assistance and the fight against transnational organized crime.

Legislative reforms require corporate service providers to verify the identity of beneficial owners, directors, and shareholders. Service providers are to hold this information in Belize, and it must be made available to authorities on demand. A Belize-registered IBC must have a substantial economic presence in Belize and conduct its core income-generating activities in the country. The IFSC has approved plans to develop an e-registry system, which will make the local company register and international company register easily available to the public.

The FIU is a member of the Egmont Group of FIUs. Belize is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/belize-2>.

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

With limited human resources to focus on financial crime investigation, FIU cases face protracted processing times through the investigative and prosecutorial stages. Belize partnered with an international donor to develop legislation for a non-conviction-based forfeiture regime for forms of property other than cash and set the framework for a civil asset forfeiture mechanism.

The Financial Crimes Working Group (FCWG), a sub-committee of the National Anti-Money Laundering Committee, facilitates a multi-agency approach to financial crime investigations. It currently manages 11 cases; six are before the courts. Significant court backlogs and lack of investigative experience throughout the enforcement entities slow case progress. The Asset Recovery Forum within the FCWG pursues criminals and their assets through collective interagency efforts.

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

Although The Bahamas exhibits political will to combat money laundering, demonstrated by continued resource flows from the financially strapped government, more needs to be done to enforce existing laws and support activities leading to successful money laundering prosecutions.

Belize Tax Services launched an Integrated Revenue Information Service (IRIS) as part of the government's E-Governance Platform and corruption mitigation process. This system is designed to replace the cumbersome paper-based tax system.

Belize formed a Virtual Asset Service Providers Technical Working Group, with the IFSC and FIU as co-chairs. The Working Group will develop strategy and policy recommendations on

regulating and dealing with virtual assets and virtual asset service providers. An international donor agreed to provide training in implementing effective risk-based supervision.

## 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. In 2020-2021, an increased effort by Beninese law enforcement officers led to the arrest and prosecution of many drug traffickers through Cotonou's air and seaports. 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 illicit payments to officials.

Benin has taken measures to uncover and enforce financial aspects of criminal cases in recent years, including creating a specialized court for financial crimes in 2018 and lifting the statute of limitations for financial crimes in 2020.

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

Open borders, the prevalence of cash transactions, and the informal economy facilitate money laundering in Benin. Sophisticated Nigerian criminal actors leverage cheap labor from Benin to assist in the furtherance of romance and other fraud schemes.

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, reportedly received financial support from this network.

Reportedly, there are four licensed casinos in Benin, with three of them actively operating.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In June 2018, Benin passed a uniform law, drafted by the West African Economic and Monetary Union (WAEMU). The law helps standardize anti-money laundering/combating the financing of terrorism (AML/CFT) legislation among member countries and facilitates information sharing. In Benin, the uniform law (*Act 2018-17*) introduces new investigative authorities; requires



attorneys, notaries, banks, and certain non-governmental and religious organizations to report large cash transactions; and codifies additional money laundering predicate offenses.

Benin amended its criminal procedure code to lift the statute of limitations on financial crimes and incorporate legal cooperation provisions into its domestic law.

A 2019 ministerial decree specifies the powers, organization, and function of the Advisory Committee on the Freezing of Assets.

There is no mutual legal assistance treaty between Benin and the United States. Benin is party to multilateral conventions that support international cooperation on money laundering cases.

The National Financial Intelligence Processing Unit (CENTIF) is a member of the Egmont Group of Financial Intelligence Units. Benin is a member of the Inter Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.giaba.org/reports/mutual-evaluation/Benin.html>.

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

*Act 2018-13*, as modified in 2020, creates the Court for the Repression of Economic Crimes and Terrorism and enumerates individual crimes under the court's jurisdiction, including money laundering and illicit enrichment.

Authorities (including law enforcement) can access beneficial ownership information held by reporting entities. However, there are concerns regarding the collection and verification of beneficial ownership information of legal persons, including the lack of systematic collection of accurate and up-to-date information, especially by banks, and the lack of monitoring and supervision of certain legal entities.

### **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 currency, sets a requirement for declaration of bulk cash crossing the border to Nigeria (a non-WAEMU 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 CENTIF is under-resourced, and agents within this office and other law enforcement offices are often reassigned to new jurisdictions and new disciplines after training investments by donors. Insufficient funding for day-to-day operations hinders travel to conduct investigations. CENTIF has requested support from donors to implement recommendations by international AML experts. CENTIF has limited funds for international travel to Egmont meetings and to install a secure database that would allow easy communication with reporting entities.

Despite Benin's crackdown on narcotics-related offenses, the country is subject in 2021 to an uptick in the quantity of drugs transiting through Benin, raising questions about the destination of the revenue from the traffic.

Investigating judges lack specialized training in complex financial schemes, and cases sit unattended. Out of 635 statements of suspicion recorded between October 2020 and September 2021, 103 were submitted to the law enforcement agencies for further investigations, 20 were presented to the court, seven were dismissed, nine prosecuted, and four are still pending.

## **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 would benefit from continued 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, including potential participation in the Black Market Peso Exchange. Chile, Peru, and to a lesser extent Brazil, 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 312 tons of cocaine in 2020, 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 free trade zones (FTZs) for commercial and industrial use. Lack of regulatory oversight of these FTZs increases money laundering vulnerabilities. A few legal casinos pay a hefty percentage of their revenues to the government in order to run card games, roulette, slots, and bingo. Many illegal casinos operate informally.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In August 2021, Bolivia passed *Law 1386*, an overarching bill that outlines the *National Strategy to Combat the Legitimization of Illicit Profits and the Financing of Terrorism*. Rather than granting the government further powers, the bill provided general guidelines to be codified in future legislation and regulations. Following nationwide protests over fears authorities would use the law to persecute political opponents, the government repealed Law 1386 in November

2021. 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.

Bolivia banned decentralized virtual currencies in 2014, although it may allow use of a virtual currency issued by its central bank.

All financial institutions are required to report all transactions above \$3,000 (\$10,000 for banks) to the Financial Investigative Unit (FIU). Bolivia has customer due diligence regulations and standards that private banks must follow. Financial intermediaries also must enter this information into their systems regardless of the transaction amount or whether the transaction is a deposit or a withdrawal.

Bolivia has an extradition treaty with the United States. Bolivia does not have a mutual legal assistance treaty with the United States. However, assistance is possible through various multilateral conventions to which both countries are parties. U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, and Bolivian National Customs have a customs mutual assistance agreement (CMAA) that expands cooperation and information sharing. The CMAA also provides for the sharing of forfeited assets. Under that agreement, Bolivia has a memorandum of understanding with the U.S. trade transparency unit to exchange trade data for the purpose of better identifying trade-based money laundering.

Bolivia is a member of the Egmont Group of Financial Intelligence Units and of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available in Spanish only at: <https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/bolivia/evaluaciones-mutuas-1/1950-informe-de-evaluacion-mutua-de-bolivia-3a-ronda>.

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

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 led to ineffective criminal investigations. In 2017, the Attorney General created a special money laundering unit.

Bolivia does not require the collection and retention of beneficial ownership data.

The Bolivian government has been cooperative with U.S. law enforcement, in some instances, however overall, law enforcement cooperation between the two countries is limited.

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

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

Prior to repealing Law 1386, in October 2021, the government also drafted a proposed law *against the Legitimization of Illicit Profits* that included provisions that would have allowed the government to investigate citizens' assets without a court order and force lawyers and journalists to provide the government with otherwise protected information. These provisions generated massive protests and social unrest, leading the Bolivian government to withdraw this draft law. Because of civil rights concerns, the public opposed the government's attempt to seize greater powers through anti-money laundering (AML) legislation. Future efforts to update AML legislation are expected to be scrutinized closely.

Although banks are actively enforcing all regulations to control money laundering or any other suspicious transaction, overall compliance with the laws is lacking. The judicial system has widespread issues with corruption and lacks autonomy from the executive branch. The FIU is weakened by its lack of operational independence and autonomy. In 2020, Bolivia had three convictions related to illicit profits and narco-trafficking. No published data is available for the number of prosecutions related to money laundering.

## Brazil

### OVERVIEW

Brazil's economy is the second largest in the Western Hemisphere by purchasing power parity. 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 contraband 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 are known to provide financial support to Hizballah, a U.S. Department of State-designated Foreign Terrorist Organization and Specially Designated Global Terrorist. Organized crime, including public corruption, is law enforcement's primary money laundering priority, followed by weapons and narcotics trafficking.

### 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, trade-based money laundering, 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 (PCC), 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. There are concerns the PCC is actively seeking illicit support at the municipal level.

In operation from 2014 to 2021, "Operation Carwash" was a multi-faceted law enforcement investigation that 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, government officials of neighboring countries, and executives at major private construction firms throughout the region. According to the Ministry of Justice and Public Security, close to \$400 million (Brazilian real 2.1 billion) of illicit funds have been blocked overseas; Brazil has recovered over \$20 million thus far.

Brazil's Manaus free trade zone is composed of five free trade areas. Brazil also has several export processing zones.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In 2021, Brazil finalized its national risk assessment.

Brazil's anti-money laundering/combating the financing of terrorism (AML/CFT) legal framework was last updated in 2019, when Congress passed the CFT law. Brazil has comprehensive customer due diligence and suspicious transaction reporting regulations. In 2020, the Brazilian Council for Financial Activities Control (COAF), Brazil's financial intelligence unit (FIU); the central bank, as the bank regulator; and the Brazilian securities regulator released new rules to adopt a risk-based approach to AML/CFT in the financial sector. Brazil maintains some control of capital flows and requires disclosure of corporate ownership.

Brazil and the United States have a customs mutual assistant agreement and a mutual legal assistance treaty. Brazil regularly exchanges trade and financial records with the United States and other jurisdictions.

COAF is a member of the Egmont Group of FIUs. Brazil is a member of the Financial Action Task Force (FATF) and the FATF of Latin America, a FATF-style regional body. Brazil's most recent mutual evaluation report 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.

Brazil does not have a legal framework for regulating virtual assets.

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

Comprehensive data on criminal investigations and convictions specific to money laundering are not available.

Despite Brazil's efforts to strengthen its legal framework, build investigative and prosecutorial capacity, and foster interagency cooperation and civil society input, challenges remain. Brazilian law enforcement continues to seize millions of dollars' worth of multiple currencies in highway seizures, especially on the border with Paraguay. The stove-piping of intelligence by multiple 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. Judicial delays often lead to cases expiring before judgment due to strict statutes of limitations. Brazil will benefit from expanded use of task forces and interagency cooperation agreements, an increased information exchange on best practices, government contract oversight, and collaboration and leniency agreements. In November 2019, Brazil launched the Integrated Border Operation Center in Foz do Iguaçu in the TBA, based in part on U.S. fusion center models.

## **British Virgin Islands**

### **OVERVIEW**

The British Virgin Islands (BVI) is a United Kingdom (UK) overseas territory with an economy dependent on tourism and financial services. The BVI is a sophisticated financial center offering accounting, banking, and legal services, captive insurance, company incorporations, mutual fund administration, trust formation, and shipping registration. As of September 2021, the commercial banking sector has assets valued at approximately \$2.7 billion.

The BVI has committed to complying with Organization for Economic Cooperation and Development and European Union rules on financial transparency and regulation. It has adopted global standards for 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, including tax evasion, and narcotics trafficking.

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

The BVI has a favorable corporate tax and no wealth, capital gains, or estate taxes. Significant money laundering risks include exploitation of financial services and a share structure that does not require a statement of authorized capital. The BVI is a favored destination for incorporating new companies, which can be established for little money in a short amount of time. The region has witnessed an uptick in virtual asset company formation. The BVI currently has no regulatory framework that prohibits virtual currency or blockchain business. 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) September 2021 statistical bulletin notes there are 372,911 companies. Of these, 1,165 are private trust companies. There are seven commercially licensed banks, 1,821 registered mutual funds, and 236 registered closed-ended funds referred to as "private investment funds."

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

### **KEY ANTI-MONEY LAUNDERING (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 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 licensing and supervising financial institutions. The Financial Investigation Agency (FIA) is the supervisory authority responsible for ensuring compliance of designated non-financial businesses and professions with anti-money laundering/combating the financing of terrorism (AML/CFT) legislation. The BVI has customer due diligence (CDD) and suspicious transaction reporting requirements

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

In June 2021, the government published its *National AML-CFT Strategy 2021-2023*, a three-year roadmap designed around the national AML/CFT policy framework.

The United States can obtain legal assistance from the BVI through the UK mutual legal assistant treaty and regularly does so.

The BVI's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. BVI is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf->

[gafi.org/countries/uz/virginislandsuk/documents/mutualevaluationofthebritishvirginislands.html](https://gafi.org/countries/uz/virginislandsuk/documents/mutualevaluationofthebritishvirginislands.html).

## **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 there have been recent improvements. In 2019, the BVI FSC Enforcement Committee reviewed 75 enforcement cases of suspected breaches of financial services legislation and issued a total of 16 penalties, including monetary administrative penalties, five directives, and seven 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 United Nations (UN) Drug Convention* in 1995, the *UN Convention against Corruption* in 2006, and the *UN Convention against Transnational Organized Crime* in 2012.

The BVI established a register that provides authorized BVI authorities direct and immediate beneficial ownership information. The BVI government committed to making the register public in 2023. 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 BVI has committed to introducing a publicly accessible register of the beneficial ownership of companies registered in its jurisdiction.

In 2020, 16 money laundering-related prosecutions were filed and nine convictions were secured.

In 2021, BVI amended several laws, including the *Drug Trafficking Offences (Amendment) Act*, which empowers the FIA to explore whether certain drug trafficking offenses also involve money laundering, and the *Proceeds of Criminal Conduct (Amendment) Act*, which allows law enforcement to more broadly investigate money laundering and terrorist financing.

## **Burma**

### **OVERVIEW**

In 2021, Burma failed to make progress on improving its anti-money laundering/combating the financing of terrorism (AML/CFT) regulatory framework and enforcement. Burma remains extremely vulnerable to money laundering because of a sizable illicit economy, a banking sector on the verge of collapse and lacking public trust, and a military regime that overthrew a lawfully elected civilian government and has walked away from previous, pre-coup AML/CFT reforms. In 2020, prior to the February 1, 2021 military coup, Burma issued new AML guidelines and worked to implement 2019 AML regulations on customer due diligence (CDD) and supervision of remittance service providers. The regime has not



implemented the new guidelines following the coup.

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

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

Burma is still a cash-based economy. Burma has experienced persistent economic shocks after the military toppled the civilian government in February 2021. Burma continues to struggle with a significant illicit economy that includes illicit extraction, production, and trafficking of gemstones, timber, and narcotics; human trafficking; and large-scale production and trafficking of amphetamines and opioids. The illicit economy likely generates billions of dollars per year in illicit proceeds, much of which fuels official corruption and internal ethnic fighting. The banking system suffers from an absence of effective prudential regulation by the Central Bank of Myanmar (CBM) since the coup, and regime CBM officials have created uncertainty in the market due to rapidly changing regulations aimed at controlling foreign exchange outflows. The regime’s inability to exercise sovereign control in its border regions as a result of continuing violence exacerbates money laundering vulnerabilities due to the proliferation of casinos, illegal remittance networks, and drug trafficking in those border areas.

Casinos target foreigners in border towns, especially near China and Thailand. Little information is available about the scale of these enterprises. Burma enacted a gaming law in 2019 requiring domestic casinos to register as companies but has not strictly implemented those regulations.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Burma did not enact any new AML legislation in 2021. The country’s *Anti-Money Laundering Act*, passed in 2014, is the foundational legislation. In 2019, Burma issued two AML regulations - on CDD and remittance agents - to complement the 2014 law.

In early 2020, Burma issued a *Risk-based Supervision Guide* to steer the CBM’s supervision activities, and the CBM also updated the *Onsite Anti-Money Laundering/Counter-Terrorist Financing Supervision Handbook*, based on the 2019 CDD regulations. Burma has largely ceased substantive efforts to increase conformity with international standards since the coup.

In January 2020, the Ministry of Home Affairs – which houses the Myanmar Financial Intelligence Unit (MFIU) – drafted guidelines entitled *Cooperation and Coordination Guidelines on Investigations and Prosecutions of Money Laundering Cases* specifically to cover coordination among the Myanmar Bureau of Special Investigations, the MFIU, and the Union Attorney General's Office. It is unclear whether the guidelines have been implemented after the coup.

Burma does not have a bilateral mutual legal assistance treaty with the United States.

Burma is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-myanmar-2018.html>.

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

International experts have identified several shortfalls in Burma's AML regime, namely, limited understanding of obligations among financial institutions and designated non-financial business professions (DNFBPs), including casinos; poor reporting in suspicious transaction reports; and weak CBM oversight of DNFBPs. Additional deficiencies are noted in the lack of clear obligations and countermeasures toward designated higher-risk countries, transparency in beneficial ownership requirements and information, and CBM supervision and enforcement of AML regulations for informal hundi remittance services.

The MFIU is not a member of the Egmont Group of FIUs.

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

In line with 2019 regulations on remittance service providers, or hundi services, the CBM issued licenses to seven remittance businesses before the coup, and an additional two remittance businesses were provided licenses in November 2021. The CBM reported it has trained 43 AML/CFT compliance officers.

Burma's technical capacity to effectively implement and enforce AML/CFT regulations and practices remains limited. Specifically, there are continued significant gaps in ability to oversee and prosecute informal, and at times illegal, money transfer entities, and there remains a lack of clear authorities and obligations with certain parts of beneficial ownership requirements. The regime has also used AML/CFT regulations to pursue politically motivated charges against those opposed to military rule, including making requests to private banks to freeze accounts of hundreds of pro-democracy actors. Additionally, Burma largely lacks training on the international standards on data collection and analysis as well as investigations and prosecutions.

## **Cabo Verde**

### **OVERVIEW**

Cabo Verde's 10 dispersed islands in the mid-Atlantic and minimal capacity to patrol its territorial waters and exclusive economic zone make it vulnerable to narcotics trafficking among West Africa, the Americas, and Europe and to other illicit maritime activity. Its financial system is focused primarily on banking.

Although Cabo Verde's anti-money laundering (AML) regime has flaws, the government has revised its laws, policies, and regulations to curb illicit financial activities. Cabo Verde receives international support to combat drug trafficking, money laundering, and other crimes.

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

Cabo Verde's informal sector constituted approximately 12 percent of the country's GDP before the COVID-19 pandemic. Although the formal financial sector enjoys a strong reputation, it may still offer niches to criminals.

The biggest money laundering risks are likely related to narcotics trafficking and border security, largely due to Cabo Verde's location and 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 drug use appears to be increasing.

There are five gaming zones in Cabo Verde for casino and sports betting development, administration, and enforcement. There is also a national lottery. Although a regulatory framework adopted in 2015 allows the licensing of online gaming services, this project is on hold. A casino development by a major Macau investor remains stalled.

A maritime special economic zone on the island of São Vicente created by statute in 2020 has the potential to attract significant foreign direct investment but also potentially offers opportunities for illicit financial activities.

Public corruption is relatively limited in Cabo Verde and is unlikely to facilitate money laundering.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Cabo Verde's AML/CFT framework has been in place since 2009. The government has continued to make progress in implementing it and improving national cooperation and coordination. In a typical case, the financial intelligence unit (FIU) identifies suspicious transactions and provides the relevant information to the Prosecutor General's office (PGR). If the PGR determines further investigation is warranted, the Judicial Police engages via an interagency task force on money laundering and asset recovery.

The Bank of Cabo Verde (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 politically exposed persons.

In recent years, Cabo Verde has recruited additional public prosecutors, and the BCV has recruited more agents for its supervision department. Cabo Verde has also taken steps to implement a cross-border currency declaration regime. The General Inspectorate of Economic Affairs serves as the supervisory body for dealers in luxury items and gaming.

The United States and Cabo Verde can make and receive requests for mutual legal assistance based on domestic laws. The United States and Cabo Verde do not have a bilateral mutual legal assistance treaty or an extradition treaty, but Cabo Verde is party to relevant multilateral law enforcement conventions containing legal cooperation provisions, including the United Nations Convention against Transnational Organized Crime, which was successfully invoked as a legal basis to affect a high-profile individual's extradition to the United States in 2021 to face money laundering charges.

Cabo Verde's FIU is a member of the Egmont Group of FIUs. Cabo Verde is a member of the Inter Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 BCV conducts AML compliance examinations of financial institutions in its jurisdiction or has applied administrative sanctions for noncompliance. There are, however, indications that BCV has been conducting enhanced due diligence on foreign nationals wishing to launch financial institutions in Cabo Verde. Further, 2020 legislation terminated the issuance of restricted licenses for offshore banking operations, calling for generic licenses and operations with resident clients. Offshore banks operating in Cabo Verde had until December 2021 to complete the transition with BCV; most did so.

Cabo Verde lacks provisions requiring the collection and maintenance of beneficial ownership information.

Severely limited staffing at the FIU limits the agency's ability to track and report suspicious transactions. The FIU is working to improve its efficiency and effectiveness, including with the use of donor assistance. It led the effort to create uniform designated non-financial businesses and professions governance standards consistent with international standards. A pilot group formed in 2019 has concentrated efforts on four areas: assessing the legal framework, training, resource allocation, and standardized documentation. The group's stakeholders include the FIU and agencies overseeing the real estate, accountant, notary, and non-governmental organization sectors.

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

The ministers of justice and finance lead an inter-ministerial commission to leverage existing legal structures. The commission coordinates Cabo Verde's AML policy to bring it into line with international frameworks and standards.

Despite its achievements, Cabo Verde still needs to close important gaps, among which are the development of a fully and broadly functioning cross-border currency declaration system and a record of tangible outcomes. There remains a general lack of understanding across agencies and

civil society about the intersection of money laundering and transnational organized crime elements active in Cabo Verde, including in the gaming sector.

## 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 significant concern. Transnational organized crime groups and professional money launderers are key threat actors.

Canada has made progress in addressing money laundering deficiencies. Canada is working toward addressing remaining deficient areas, including virtual currencies, beneficial ownership, customer due diligence (CDD), and information sharing, with additional budget allocations and strengthened interagency cooperation.

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

Criminals launder money via several mediums, including bulk cash smuggling, money service businesses (MSBs)/currency exchanges, casinos, real estate, luxury vehicles, wire transfers, offshore corporations, credit cards, foreign accounts, funnel accounts, hawala networks, and virtual currencies.

Illicit drugs represent the largest criminal market in Canada. Transnational organized crime groups (TOC) are the most threatening and sophisticated actors, given their access to international money laundering networks and facilitators and diverse money laundering methods. Canada's Criminal Intelligence Service estimates \$36 billion to \$91 billion is laundered annually in Canada. Law enforcement efforts to target a particular money laundering practice, such as trade-based money laundering (TBML), generally result in a shift in TOC methodology, rather than an interruption in the illicit activity. Law enforcement has cited a methodological shift toward the use of virtual currencies in recent years given their ease of access and anonymity.

The provinces operate online casinos and table games.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Canada's two main laws addressing money laundering and terrorist financing are the criminal code and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*. Several regulatory changes came into effect June 1, 2021, following similar updates in June 2020 and 2019. The 2021 regulatory changes include: requiring all reporting entities to submit a Large Virtual Currency Transaction Report with the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's financial intelligence unit (FIU), for virtual currency transactions equivalent to \$8,070 over a 24-hour period; the expansion of politically exposed person and head

of international organization obligations to all reporting entities; a mandate for all designated non-financial businesses and professions (DNFBPs) to obtain and maintain beneficial ownership information for corporations, trusts, and not-for-profit organizations.

Know your customer and CDD are core regulatory requirements. Reporting entities must take steps to confirm the accuracy of new beneficial ownership information as it is updated over time. The *PCMLTFA* requires 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 British Columbia notaries to file suspicious transaction reports (STRs).

The *PCMLTFA* requires parliamentary committee review of the administration and implementation of the law every five years, with the last parliamentary review in 2018.

Canada participates in AML cooperation with the United States and other governments through mechanisms such as the North American Drug Dialogue.

FINTRAC is a member of the Egmont Group of FIUs. Canada is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-canada-2016.html>.

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

Noted deficiencies include limited oversight of the domestic non-profit sector, gaps in CDD responsibilities for DNFBPs, and a lack of beneficial ownership transparency for trusts and similar legal mechanisms. AML regulation of attorneys was overturned by the Canadian supreme court in 2015 as an unconstitutional breach of attorney-client privilege. The Federation of Law Societies of Canada has issued guidance to the legal profession on AML/combating the financing of terrorism responsibilities and practices.

Information sharing constraints constitute an AML deficiency for Canada. The *Personal Information Protection and Electronic Documents Act* continues to hinder information sharing among financial institutions, law enforcement, and FINTRAC, as banks and other reporting entities can be subject to large monetary fines for unauthorized data sharing resulting from AML cooperation. FINTRAC established public-private partnerships (PPPs) with large financial institutions to address this deficiency and credits the PPP model with significantly increasing STR submissions.

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

The Canadian government has taken steps to improve its AML prosecutorial capacity and information sharing among law enforcement agencies. Canada's 2021 budget includes approximately \$6 million in new funding to address money laundering and terrorist financing. The funding will be used to support FINTRAC in strengthening its virtual currency expertise and creating new supervisory regulations for the armored car sector. Funding will also be used to

implement a publicly accessible corporate beneficial ownership registry by 2025. The government launched the Financial Crimes Coordination Centre in April 2021 to coordinate intelligence and law enforcement agencies' efforts to address money laundering and financial crime threats. The Centre complements the Trade Fraud and Trade-Based Money Laundering Centre of Expertise (launched in April 2020) aimed at strengthening TBML information sharing and intelligence analysis within the Canadian government.

## Cayman Islands

### OVERVIEW

The Cayman Islands, a United Kingdom (UK) overseas territory, is a major international financial center. It is an important investment fund jurisdiction, the seventh largest foreign holder of U.S. Treasury securities, the 16<sup>th</sup> largest holder of international banking assets, and 14<sup>th</sup> largest holder of international banking liabilities. As of June 2021, the Cayman Islands had 110 banks; 164 trust company licenses; 147 licenses for company management and corporate service providers; 682 insurance companies; and five money service businesses (MSBs). As of September 2021, there were 115,500 companies incorporated or registered in the Cayman Islands, 12,676 licensed/registered mutual funds, and 14,305 registered private funds. The Cayman Islands remains a high-risk jurisdiction for money laundering.

The Cayman Islands has an established anti-money laundering/combatting the financing of terrorism/counter-proliferation financing (AML/CFT/CFP) regime. The government is committed to strengthening its AML/CFT/CFP framework.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The Cayman Islands has an indirect tax regime. Foreign threats related to money laundering are fraud, including investment schemes, corporate embezzlement, and market manipulation, tax evasion, drug trafficking, and corruption. The Cayman Islands' network of tax information exchange mechanisms extends to over 140 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. Procedures exist to guard against cross-border bulk cash smuggling.

Cayman Enterprise City, a special economic zone, was established in 2011 for knowledge-based industries. Of 62 businesses in the commodities and derivatives park as of October 2021, 19 were registered with the Cayman Islands Monetary Authority (CIMA) under the *Securities and Investment Act*.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

The Anti-Money Laundering Steering Group (AMLSG) is the body responsible for AML policy, chaired by the Attorney General. The Inter-Agency Coordination Committee, chaired by the

head of the Anti-Money Laundering Unit, is responsible for implementing AMLSG policies. Subgroups have been formed to address specific issues and sectors.

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 the *Terrorism Act (as amended)* defines terrorist financing as a predicate offense for money laundering.

Customer due diligence and suspicious transaction reporting requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, MSBs, lawyers, accountants, corporate and trust or company service providers (TCSPs), money transmitters, dealers of precious metals and stones, the real estate industry, virtual asset service providers, single-family offices, building societies, cooperatives, and mutual funds and their administrators.

The United States and the United Kingdom have a mutual legal assistance treaty concerning the Cayman Islands. The United States regularly makes requests for assistance to the Cayman Islands. However, there are typically excessive delays in providing evidence.

The Cayman Islands is a member of the Egmont Group of Financial Intelligence Units and the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/a-c/caymanislands/documents/mer-cayman-islands-2019.html>.

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

The Cayman Islands is working to implement an agreed-upon action plan, including by applying timely, proportionate, and dissuasive sanctions for compliance violations; imposing sanctions for failures to file accurate, up-to-date beneficial ownership information; and demonstrating successful, proportionate money laundering prosecutions in line with its risk profile. The Cayman Islands is working toward achieving these goals. The newly established Cayman Islands Bureau of Financial Investigations is focused on money laundering/terrorist financing investigations, and the Office of the Director of Public Prosecutions ensures a prosecutor is assigned to every such matter.

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

The UK is constitutionally responsible for the Cayman Islands' international relations. The UK arranged for the *1988 United Nations (UN) Drug Convention* and the *UN Convention against Transnational Organized Crime* to be extended to the Cayman Islands in 1995 and 2012, respectively. The *UN Convention against Corruption* was extended to the Cayman Islands by the UK on December 14<sup>th</sup>, 2020, while the *UN Convention on the Suppression of the Financing of Terrorism* was extended on August 12<sup>th</sup>, 2021.

Supervisors have increased the number of onsite inspections, in line with the sectoral risk AML/CFT assessments. In the last two years, CIMA has imposed several penalties for AML/CFT deficiencies, including two fines totaling approximately \$701,000 (Cayman Island



dollar (KYD) 583,000) in 2020, and three in 2021, the largest of which was approximately \$5.1 million (KYD 4.2 million) levied against a TCSP.

The Registrar of Companies (ROC) continues to take action against both legal entities and TCSPs in relation to their obligations to file beneficial ownership information on the beneficial ownership registry. In 2020, the ROC imposed four administrative penalties totaling approximately \$24,000 (KYD 20,000) for noncompliance with beneficial ownership information obligations. Through July 2021, the ROC levied an additional 438 fines totaling approximately \$2.6 million (KYD 2.2 million).

As of September 2021, the Bureau of Financial Investigations had 22 ongoing money laundering investigations and one terrorist financing investigation. There were also four money laundering cases before the courts for prosecution.

Trust and company service providers must collect and maintain beneficial ownership information. The ROC stores this information in a centralized platform, which facilitates instantaneous access for law enforcement and competent authorities. The government committed to the introduction of a publicly accessible register of company beneficial ownership.

## China, People's Republic of

### OVERVIEW

Money laundering in the People's Republic of China (PRC) is of great concern. The U.S. government estimates \$154 billion in illicit proceeds move through China annually. The *National Defense Authorization Act*, enacted on January 1, 2021, calls for the U.S. Department of the Treasury to conduct a study on the extent and effect of illicit finance risk relating to the PRC and Chinese firms.

In 2021, the PRC made improvements to its anti-money laundering/combating the financing of terrorism (AML/CFT) framework, and the People's Bank of China (PBOC) published draft amendments to the *Anti-Money Laundering Law (AMLL)*. Yet serious shortcomings persist in effective implementation and transparency, particularly in the context of international cooperation. PRC authorities rarely share information on money laundering trends or take sufficient action to interdict or counter new laundering methods.

The PRC is piloting a PBOC-backed digital currency known as the e-CNY Digital Currency Electronic Payment (e-CNY). In September 2021, China banned virtual currency transactions and prohibited any new mining projects within the country. It does intend to continue developing the e-CNY, calling it a digital version of the yuan, rather than a virtual currency.

The PRC should broaden its investigation and prosecution of money launderers and cooperate with international law enforcement investigations regarding domestic Chinese underground financial systems, virtual currencies, shell companies, and trade-based money laundering (TBML).

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## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Corruption is a major factor in money laundering. Illegal drug production and trafficking, human trafficking, smuggling, intellectual property theft, crimes against property, tax evasion, and illicit financial activity linked to sanctioned countries are the primary sources of laundered funds. Laundering methods include bulk cash smuggling, TBML (e.g., daigou), shell companies, high-value asset purchases, investments, gaming, and the exploitation of formal, informal, and third-party payment systems.

China has 21 free trade zones, special economic zones (SEZs), 14 coastal “open cities” with characteristics of SEZs, and other national, provincial, and locally designated development zones. Mainland China’s greater economy is linked closely to Hong Kong, a global financial center vulnerable as a transit point for foreign illicit proceeds, particularly from mainland China. Financial transactions from mainland China to Hong Kong are not scrutinized as closely as other international transfers leaving China, making Hong Kong a common intermediary transit point for illicit funds leaving China.

Law enforcement has highlighted the exploitation of the U.S. credit card system by PRC-based money launderers to move significant amounts of criminal proceeds on behalf of transnational criminal organizations. The repatriation of illicit proceeds is obscured by the PRC-based launderers.

## **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The PRC has customer due diligence (CDD) and suspicious transaction reporting (STR) requirements and enhanced due diligence procedures for foreign politically exposed persons (PEPs). In June 2021, the PBOC published draft amendments to the *AMLL* to expand the definition of money laundering and increase AML/CFT violation penalties. The PBOC enacted separate measures that went into effect on August 1, 2021 to expand AML/CFT covered entities and codify additional risk management requirements.

The United States and the PRC are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. law enforcement notes the PRC does not cooperate sufficiently on financial investigations and does not provide adequate responses to requests for information. The PRC’s inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against PRC-based assets remains a significant barrier to enhanced U.S.-China cooperation on these cases.

The PRC is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering and the Eurasian Group on Combating Money Laundering and Financing of Terrorism. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-China-2019.pdf>.

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

The PRC's financial intelligence unit (FIU) is not a member of the Egmont Group of FIUs and often lacks capacity or political will to effectively share financial intelligence.

The absence of domestic PEP coverage is particularly important as corruption is a major source of laundered funds and state-owned enterprises play a dominant role in the economy. Designated non-financial businesses and professions (DNFBPs) are not supervised. There are no detailed CDD requirements specific to DNFBPs, and STR reporting is virtually non-existent. The PBOC's continued lack of scrutiny of DNFBP-related risk is particularly concerning given the rapid growth in China's real estate and precious metals sectors.

The government should address the rights of bona fide third parties and the availability of substitute assets in seizure/confiscation actions.

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

Money laundering investigations are not a priority and often do not supplement investigations of predicate offenses. China compartmentalizes individual transactions and does not look at the whole picture. The PRC largely ignores money launderers if they did not actively participate in predicate criminal behavior; the PRC should broaden its focus to go beyond active participants. PBOC seized \$39.3 million (renminbi (RMB) 251 million) from 198 institutions and \$1.8 million (RMB 11.42 million) from 423 individuals for money laundering offenses in the first six months of 2021.

The PRC should seek to make transparent use of AML/CFT tools to support investigations and prosecutions. The PRC should seek to enhance coordination among its financial regulators and law enforcement bodies and with international partners. The PRC should address legislative and structural shortcomings relating to the coverage of domestic PEPs, DNFBPs, and STR criteria.

## **Colombia**

### **OVERVIEW**

Colombia has a rigorous money laundering detection regime; however, not all anti-money laundering/combating the financing of terrorism (AML/CFT) compliance systems are in line with risk-based best practices, creating significant gaps in the supervision of designated non-financial businesses and professions (DNFBPs). According to the Colombian National Risk Evaluation Report conducted by the Financial Analysis and Information Unit (UIAF), criminal activities that registered the highest money laundering threat were public corruption, narco-trafficking, and trade-based money laundering (TBML).

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

The Colombian government reports that illicit proceeds are most commonly laundered through bulk cash smuggling and TBML. TBML criminal activities include invoice fraud and counterfeit

items and contraband that enter through ports or land borders. According to Colombian officials, corrupt customs authorities facilitate evasion of the customs process.

Criminal organizations use formal and informal financial schemes, such as money brokers, real estate investments, wire transfers, and remittances, to launder illicit proceeds. Illegal gold mining and trading present additional obstacles both as means to launder illicit revenue as well as to generate additional illicit proceeds. Law enforcement reported that criminal groups are increasingly using digital currencies to send drug proceeds back to Colombia, but Colombian institutions have a limited understanding of virtual financial operations.

The more than 100 free trade zones in Colombia are generally well-regulated for AML purposes.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Colombia's existing AML legal and regulatory structures mostly meet international standards. Colombia is working with donors on numerous projects that will strengthen the country's AML regulatory system. According to the Colombian legal framework, the UIAF is the national AML/CFT coordinator.

Colombia has customer due diligence (CDD), currency transaction report and suspicious transaction report regulations; however, they have not been able to pass legislation that would regulate virtual assets. Colombia's central bank leads a virtual asset working group to assess regulatory and oversight needs for all affected industries.

In 2021, Colombia updated and improved the CDD guidelines for politically exposed persons (PEPs), to include foreign PEPs (*Presidential Decree 830/2021*).

The UIAF is a member of the Egmont Group of Financial Intelligence Units. Colombia is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/#Colombia>.

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

Colombia has a comprehensive AML/CFT regulatory framework but attempts in 2021 to pass legislation to include environmental crimes as money laundering (ML) predicate offenses were unsuccessful.

There is limited information sharing among government institutions, which would benefit from joining resources to improve ML prosecutions. In 2021, the government adopted the *AML Public Policy 2021-2026 (Documento CONPES 4042)* to improve interinstitutional cooperation, reporting between government entities, and understanding of the AML national system by key stakeholders, among other goals.

The monitoring and enforcement regime is effective in the financial sector, but Colombia could

improve oversight in all reporting sectors. DNFBPs generally have a lower level of awareness of AML/CFT regulations. Regulators of DNFBPs are relatively under-resourced and pose a challenge to effective AML/CFT compliance monitoring. The government needs to develop programs to identify shell companies, front companies, or shelf companies being used in asset laundering.

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

The Colombian Special Assets Entity, responsible for managing and disposing of assets acquired through non-conviction-based asset forfeiture (NCBAF), has struggled to manage its large inventory of over 26,000 real property assets that cause a significant financial burden. The lack of asset forfeiture judges and appellate courts adds to the gridlock, and asset forfeiture proceedings can take 10 to 30 years.

Most goods brought to Colombia via TBML are sold in informal, popular black-market venues, known as “San Andresitos.” These informal venues receive little effective supervision and enforcement.

Colombia’s legislative framework prohibits law enforcement from having direct access to UIAF’s reports, slowing an already overburdened judicial process. The lack of information sharing prevents investigative agencies’ ability to link others to laundering activities and to pursue complex financial criminal networks. The government would benefit from interagency groups working together to improve information sharing and increase judicial processes and convictions. The government needs to do more to include the Colombian customs and tax authority in ML investigations.

Colombian and U.S. authorities cooperate closely on ML and NCBAF investigations, but law enforcement and prosecutors need more resources and specialized training to effectively investigate and prosecute complex financial crimes.

President Duque’s administration has committed to improving and strengthening the country’s AML/CFT and counter-proliferation structures through capacity-building initiatives and legislative proposals.

## **Costa Rica**

### **OVERVIEW**

Organized crime and narcotics trafficking remain primary drivers of money laundering and financial crimes in Costa Rica. While Costa Rica perseveres in its anti-money laundering programming, in 2021 it faced scrutiny and challenges from the European Union (EU). Through its action plan to work in concert with the EU, Costa Rica is addressing concerns and demonstrating its commitment to meet the ever-growing challenge money laundering represents.

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## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Narcotics trafficking continued to be a major source of laundered assets in Costa Rica in 2021. The construction, real estate, and hotel sectors remain vulnerable to money laundering. Campaign financing is of particular concern given national elections in 2022. Legalized gaming and sportsbook enterprises continue to be concerns, as are airports and border crossings, the latter often serving as sites for bulk cash smuggling and related typologies. Environmental crimes, including illegal logging and gold mining, are growing concerns. During the first eight months of 2021, authorities seized \$1.2 million in cash for violations of Art. 35 of *Law 8204*, which requires that cash or monetary instruments exceeding \$10,000 be immediately declared upon crossing the border.

While financial institutions remain vulnerable to money laundering, their exposure has been diminished with the continued monitoring efforts of Costa Rica's Financial Analysis Unit (UAF). Most recently, Costa Rica began utilizing the *Register of Stockholders and Final Beneficiaries*, a program through which the ultimate stockholders and beneficiaries of corporations registered in Costa Rica can be identified directly by judicial authorities within 48 hours, allowing enforcement action, where appropriate, to be taken more rapidly.

## **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Costa Rica employs customer due diligence guidelines, reporting, suspicious transaction report (STR) provisions, and supervision requirements that cover both traditional financial institutions as well as designated non-financial businesses and professions. A fiscal fraud law (*Law 9416*) provides for disclosure of beneficial owners.

The UAF is a member of the Egmont Group of Financial Intelligence Units. Costa Rica is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/a-c/costarica/documents/mer-costa-rica-2015.html>.

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

While Costa Rica does not have a stand-alone asset forfeiture law, through "Emergent Capital," a non-criminal administrative action, the government has the authority to seize and confiscate an increase in the net worth of any individual by demonstrating that there is "no apparent legitimate source" through which the targeted increase can be justified. From October 2020 to October 2021, Costa Rican authorities began 57 "Emergent Capital" administrative processes, confiscating \$118,900 in cash. Another \$525,000 in assets, a mix of real property, vehicles, and gold, identified in this time period is undergoing administrative processing.

Costa Rica does not regulate virtual currencies, and increased popularity of cryptocurrencies presents an additional enforcement challenge for local authorities. The central bank president has publicly noted the dangers of using unregulated virtual assets.

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

Costa Rica continues to work nationally and internationally to prevent and combat money laundering and financial crimes. In October 2021, the EU notified Costa Rica that because the residency requirements and corresponding tax policy of the country conflict with the *EU Code of Conduct*, Costa Rica is in danger of being placed on the EU list of “non-cooperating” countries should the conflict not be resolved by December 31, 2022. Non-cooperating countries may be subject to penalties that could result in grave financial consequences. Costa Rica and the EU formed a working group to address the issue. At this point, in accordance with their detailed agenda, Costa Rica has agreed with the EU to pass binding curative legislation before January 1, 2023.

Between January and September of 2021, the UAF forwarded 510 STRs involving \$262.5 million to judicial authorities, a significant increase from the 266 reports involving \$109 million reported during the entirety of 2020. The Public Ministry has been very slow conducting financial investigations.

## 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, third-party 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 Cuban government and state-controlled businesses actively engage in international money laundering in order to evade U.S. sanctions. The Cuban government does not identify money laundering as a major problem. According to its 2019 national constitution, the government, including all law enforcement entities and the judicial system, is under the control of the Cuban Communist Party.

Cuba should strengthen the transparency of its financial sector by engaging regional and international anti-money laundering/combating the financing of terrorism (AML/CFT) communities and increase criminal investigations and prosecutions.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Although it is largely disconnected from the international financial system, there are 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 of countries in the region accused of corruption.

Cuba's geographic location places it between drug-supplying and drug-consuming countries. Cuba has little foreign investment compared to similar nations in the Caribbean, a small international business presence, and no known offshore casinos or internet gaming sites. There are no known issues with or abuse of non-profit organizations (NPOs), money or value transfer systems, offshore sectors, free trade zones, 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. It is potentially located on expropriated property, built by the government in partnership with Brazilian engineering firm Odebrecht, subject of numerous corruption investigations throughout Latin America.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Cuba claims to take into account international AML/CFT standards. Regulations include enhanced customer due diligence (CDD) for foreign politically exposed persons (PEPs), although it continues to exempt domestic PEPs from the reach of the legislation.

The financial intelligence unit (FIU) shares financial intelligence with the Revolutionary National Police, the Attorney General's Office, and General Comptroller of the Republic. In addition to its core functions, the FIU can suspend transactions and freeze funds, both domestically and upon request from a foreign counterpart.

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's FIU is a member of the Egmont Group of FIUs. Cuba is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report 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 suspicious activity reporting (SAR) by financial institutions and designated non-financial businesses and professions (DNFBPs) and weak supervision and enforcement within 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. The conviction was based on his convictions in the United States and his investments in Cuba, which the Cuban government proceeded to confiscate.

Major international banks and companies have participated in transferring funds involving Cuba in apparent violation of U.S. sanctions. The Department of the Treasury continues to conduct enforcement actions against actors who appear to have violated U.S. sanctions on Cuba. From October 2019 through November 2021, Treasury's Office of Foreign Assets Control reached settlement agreements in four cases implicating thousands of transactions involving apparent violations of Cuba sanctions, resulting in fines of more than \$3.5 million.

Cuba should increase the transparency of its financial sector and increase its engagement with regional and international AML communities. Cuba should ensure its CDD measures and SAR 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**

Curaçao is a regional financial center and a transshipment location for drugs and gold from South America. Money laundering occurs through money mules, private foundations, cash intensive businesses as front companies, luxury goods, real estate, unlicensed money lenders and remitters, wire transfers, private capital investment funds, and trade-based money laundering.

Curaçao is a country within the Kingdom of the Netherlands (the Kingdom). The Kingdom retains responsibility for foreign policy and defense, including negotiating and concluding international conventions in those areas. There is a law enforcement memorandum of understanding (MOU) between the four Kingdom countries and the United States. The Dutch-based legal system is effective in the detection and prosecution of money laundering suspects.

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

Criminal organizations may abuse the availability of U.S. dollars, offshore banking and incorporation systems, private capital investment funds, two free trade zones (FTZs), a large shipping container terminal, Curaçao-based online gaming sites, and resorts/casinos to launder illegal proceeds.

Money laundering occurs through real estate purchases, international tax shelters, gold transactions, wire transfers, and bulk cash transport. Given its proximity and economic ties to Venezuela, the risk of Curaçao being used to launder the proceeds of crimes emanating from Venezuela is substantial. Curaçao banned the trade in Venezuelan gold in 2019.

Curaçao's offshore tax regime ended in 2019. Companies are now notionally subject to Curaçao's onshore effective tax rate, but alternate tax regimes remain, depending on company activities. There are 35 banks currently operating in Curaçao, down from 52 in 2019.

Curaçao's FTZs are supervised by Curaçao's state-owned (85 percent) Curinde N.V. Corporations are overseen by the Minister of Economic Development.

Curaçao is perceived to be one of the largest jurisdictions licensing online gaming. The Curaçao Gaming Control Board is the anti-money laundering/combating the financing of terrorism (AML/CFT) supervisor for the land-based gaming industry. Online gaming providers are subject to the AML/CFT regime, although many eGaming platforms do not have typical CDD requirements. According to Dutch media, there are more than 10,000 unlicensed gaming sites based on Curacao comprising approximately 40 percent of the global unregulated sites.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Kingdom may extend the applicability of international conventions to the countries within the Kingdom if the countries agree. The Kingdom extended to Curaçao (as a successor to the Netherlands Antilles) the *1988 United Nations (UN) Drug Convention* and the *UN Convention against Transnational Organized Crime*. In accordance with international agreements entered into by the Kingdom, each constituent entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The constituent countries may conclude, within parameters, MOUs in areas in which they have autonomy.

The *National Ordinance on Reporting of Unusual Transactions* and *National Ordinance on Identification when Rendering Services* establish AML/CFT requirements. The financial sector consists of credit institutions, money transfer companies, insurance companies and intermediaries, trust and company service providers, administrators of investment institutions and self-administered investment institutions, securities intermediaries, asset management companies, securities exchange, and pension funds. Covered service providers are required to comply with customer due diligence (CDD) and unusual transaction reporting (UTR) requirements.

In 2021, the Curacao Civil Code was amended to abolish bearer shares, establish a director's liability for all non-directors who exercise supervisory authority over the management board of a company/entity, require private foundations to maintain a register of beneficiaries, and extend the manners of issuance and transfer of shares.

The 1981 mutual legal assistance agreement (MLAA) between the Kingdom and the United States applies to Curaçao. The 2004 United States-Netherlands MLAA, incorporating specific U.S.-European Union provisions, was not extended to Curaçao. Additionally, Curaçao has a tax

information exchange agreement with the United States. The Kingdom also extended to Curaçao the 1992 *Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure, and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets*.

Curaçao is a member of the Egmont Group of Financial Intelligence Units (FIU) and the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: [https://www.cfatf-gafic.org/index.php/documents/mutual\\_evaluationreports/curazao/640-curaçao-mer-final?highlight=WyJjdXJhXHUwMGU3YW8iXQ](https://www.cfatf-gafic.org/index.php/documents/mutual_evaluationreports/curazao/640-curaçao-mer-final?highlight=WyJjdXJhXHUwMGU3YW8iXQ).

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

The results of a national money laundering/terrorist financing risk assessment were not finalized in 2021.

The Kingdom has not extended the *UN Convention against Corruption* to Curaçao.

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

Curaçao utilizes UTRs, a broader reporting mechanism than suspicious transaction reports. Reporting entities file UTRs with the FIU, which determines whether they warrant disclosure to law enforcement and prosecutors. In 2020, more than 100,000 UTRs, more than double the average, were received, mainly due to reporting by international banks and online gaming providers. The FIU updated its reporting portal and analysis system in January 2021 to enhance its analytical capabilities.

The four FIUs within the Kingdom recently implemented a secure network (FCInet) with highly effective privacy-enabled data matching capabilities. The FIU seeks to extend these tools to other partners.

A new task force, the Action Center Undermining Curacao (ACOC), comprising law enforcement, prosecutors, Border Patrol, Customs, and the FIU was established. The ACOC is to combat organized crime, including money laundering, using a broad set of government instruments, administrative tools, and criminal enforcement.

Curaçao continues to conduct international money laundering investigations, and several former officials and facilitators were investigated, charged, or convicted.

## **Cyprus**

### **OVERVIEW**

The island of Cyprus remains vulnerable to exploitation by nefarious actors for illicit financial flows, including proceeds of foreign corruption and narcotics trafficking. 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, with the support of Turkey. 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 United Nations peacekeeping force in Cyprus separates the two sides. The ROC and the Turkish Cypriot-administered area are discussed separately below.

## **THE REPUBLIC OF CYPRUS**

The ROC continues to upgrade its established anti-money laundering/combating the financing of terrorism (AML/CFT) legal framework. International experts identified numerous areas for improvement, particularly in oversight of trust and company service providers, real estate, and other non-financial sector activities. As a regional financial and corporate services center, Cyprus has a significant number of nonresident businesses – 229,735 by the end of 2020, though down from 272,157 at the time of the country’s financial crisis in 2013. The ROC is currently developing a public ultimate beneficial owners (UBO) registry pursuant to the European Union’s (EU) Fifth AML Directive.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

The primary sources of illicit proceeds are fraud, including investment fraud and advance fee schemes, foreign corruption, tax evasion, narcotics trafficking, and tobacco smuggling. Additionally, cybercrime continues to increase.

The ROC’s traditional banking sector is significantly less vulnerable to money laundering than it was just a few years ago. Though far from perfect, the sector is widely recognized as the most robust element of the country’s AML regime. Nevertheless, it remains at risk of exploitation, particularly by inadvertently handling proceeds of illicit activity abroad, which neither the banks nor ROC government regulators have sufficient legal authority or resources to investigate. The exploitation risks in the ROC banking sector, and Cyprus being used as a gateway to other EU financial institutions, are exacerbated by the presence of over 200,000 nonresident businesses and offshore entities, obscuring true UBOs and origins of funds.

In 2017, the government awarded a multi-year, exclusive casino license to Hong Kong-based Melco International to build an integrated casino resort (ICR) expected to open in 2022. The ICR is projected to generate up to \$1.16 billion (€1 billion) in annual gaming activity. Melco operates major casino resorts in Macau and the Philippines but has no experience operating in environments with strict AML and customer due diligence requirements like Cyprus, an EU member state. ROC authorities are still developing their capacity to supervise in-person casino activity, and online casino gaming remains unlawful. Sports betting (offline and online) is supervised by the National Betting Authority.

According to local financial sector officials, enhanced due diligence and de-risking in the traditional banking sector has driven an increasing volume of financial services activity to other channels including virtual banking, virtual assets, and virtual currency. The Cyprus Securities and Exchange Commission (CySEC) expects to issue regulations for virtual asset and

cryptocurrency trading platforms soon. The Central Bank of Cyprus (CBC) has thus far prohibited the traditional banking sector from owning or facilitating transactions in virtual currencies.

The ROC terminated its controversial citizenship by investment (CBI) program in November 2020 following an *Al Jazeera* media exposé on corruption in the application process. A subsequent investigation by an independent government commission found that, “safeguards and proper legal guidance were absent, as were adequate checks, even according to the existing laws and regulations.” Based on the commission’s report, the Council of Ministers decided October 15, 2021, to proceed with revoking the citizenship of 45 CBI beneficiaries and to consider additional revocation actions. While termination of the program is a welcome step, the lack of transparency about prior beneficiaries continues to raise serious concerns about the extent to which nefarious individuals were able to secure EU passports to evade law enforcement authorities or facilitate illicit financial flows.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The AML/CFT law contains provisions allowing the registration and enforcement of foreign court orders, including foreign non-conviction-based confiscation orders. ROC authorities maintain close cooperation with foreign authorities, including U.S. agencies. ROC legislation covers both foreign and domestic politically exposed persons (PEPs).

The ROC transposed the EU Fifth AML Directive into domestic law February 23, 2021 (more than a year late) and is now in the process of implementing a public UBO registry.

There is a bilateral mutual legal assistance treaty between the United States and Cyprus.

The Unit for Combating Money Laundering (MOKAS), Cyprus’ financial intelligence unit (FIU), is a member of the Egmont Group of FIUs (Egmont Group). The ROC is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/cyprus>.

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

International experts identified numerous areas for improvement, particularly in oversight of trust and company service providers, real estate, and other non-financial sector activities.

Cyprus’ national risk assessment identifies numerous areas for improvement, including more effective implementation of AML/CFT laws and regulations, enhanced awareness and capacity building in all sectors, and specialized training for prosecutors, investigators, and the judiciary.

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

ROC AML/CFT monitoring and enforcement mechanisms remain fragmented and under-resourced. The level of investigation and enforcement varies considerably by supervisory

authority and supervised activity. MOKAS has some prosecutorial powers, such as asset seizure. MOKAS, the attorney general, and police have limited legal authorities and resources for investigating offshore illicit activity with a nexus to Cyprus – a serious concern given the significant number of shell companies registered there. Most other business sectors are overly reliant on the formal banking sector for due diligence on customers and origins of funds. The CBC and CySEC have fairly robust AML/CFT supervisory tools and publicly disclose administrative enforcement actions, but others, notably the legal bar association, have less developed AML/CFT supervisory practices and do not disclose administrative enforcement actions.

The ROC does not routinely maintain up-to-date AML/CFT enforcement data. In 2019, the most recent year available, Cypriot authorities convicted 16 persons for money laundering offenses relating to 11 cases. Additionally, 30 cases with money laundering charges were brought before the courts in 2019, while 50 investigations were initiated.

During 2020, MOKAS received 1,626 reports - both suspicious activity reports, based on general suspicion of the situation; and suspicious transaction reports (STRs), based on specific transactions - compared to 1,763 in 2019, although both the complexity and severity of the reports increased.

### **AREA ADMINISTERED BY TURKISH CYPRIOTS**

The area administered by Turkish Cypriots lacks the necessary AML/CFT legal and institutional frameworks. Because the “TRNC” is not recognized by any country other than Turkey, the Turkish Cypriot-administered area is overly dependent on Turkish authorities and Turkish financial institutions for AML/CFT enforcement. Turkish Cypriot authorities have taken steps to address some major deficiencies, although “laws” are not sufficiently enforced to effectively prevent money laundering. The casino and offshore banking sectors are of significant concern, as is the emergence of unregulated (and supposedly illegal) crypto-currency exchanges.

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

Money laundering vulnerabilities in the Turkish Cypriot-administered area are concentrated in the casino sector and unregulated financial services. The ongoing shortage of law enforcement resources and expertise leaves the casino sector and banks poorly regulated and vulnerable to money laundering operations. As of October 2021, there are 36 casinos in the area. There is also an increasingly visible number of storefronts where one can buy or trade in virtual currencies. Unregulated moneylenders and currency exchange houses are of concern, particularly as four currencies are commonly used: the increasingly devalued Turkish lira, the British pound (often used for real estate transactions), the euro, and the dollar. The six offshore banks operating in the Turkish Cypriot-administered area also pose a money laundering risk.

There is one free port and zone in Famagusta, regulated by the “*Free-Ports and Free Zones Law*.” Permitted operations and activities include manufacturing and production; storage, export, assembly, and repair of goods; building, repair, and assembly of ships; and banking and insurance services.

There have been reports of people, illegal drugs, tobacco, alcohol, and foodstuffs smuggling across the UN buffer zone and reports involving Turkish smugglers in the waters off Famagusta. Additionally, intellectual property rights violations are common and pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs, are freely available for sale.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Turkish Cypriot authorities passed AML “legislation” in 2008. Draft AML “legislation” incorporating elements of international standards has been pending in “parliament” since 2014. Financial institutions and designated non-financial businesses and professions (DNFBPs) are required to submit STRs to the “FIU.” Following receipt, the “FIU” forwards STRs to the “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “Attorney General’s Office,” and then, if necessary, to the “police” for further investigation.

The area does not have a records-exchange mechanism with the United States.

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

The area administered by Turkish Cypriots lacks an adequate AML/CFT legal and institutional framework as well as sufficient expertise among members of the enforcement, regulatory, and financial communities. The “criminal code” needs to be updated to aid money laundering-related prosecutions.

The “FIU” of the Turkish Cypriot-administered area is not a member of the Egmont Group. The area is not a member of any FATF-style regional body and is not subject to AML/CFT peer evaluation.

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

While progress has been made in recent years with the passage of “laws” better regulating the banking sector and casinos, these “statutes” are not sufficiently enforced. Other important areas of financial activity, including currency exchanges and virtual currency trading, are not adequately supervised. Compliance with “regulations” for enhanced due diligence for both foreign and domestic PEPs is lacking.

Because the “TRNC” is not recognized by any country other than Turkey, the Turkish Cypriot banking sector is entirely dependent on Turkish banks and the Central Bank of the Republic of Turkey for international transactions and engagement. The local “FIU” has no institutional linkages with FIUs outside of Turkey.

Between January and October 2021, the “FIU” reported receiving 697 STRs, compared to 1,020 for the same period in 2020, and participated in 27 money laundering-related criminal investigations at the “Legal Department.”

The EU provides Turkish Cypriots technical assistance on AML issues.

## Dominica

### OVERVIEW

The Commonwealth of Dominica's rugged coastline, resource constraints, and proximity to the French territories of Martinique and Guadeloupe make it a transshipment point for illegal drugs, cash, and contraband, which enter the country by sea. Dominica is reliant on an economic citizenship program that accepts large numbers of applicants.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking is the major source of illicit funds, given the country's location and porous borders.

In 2021, Dominica completed a money laundering/terrorist financing national risk assessment (NRA) with donor assistance. NRA-identified vulnerabilities in the anti-money laundering/combating the financing of terrorism (AML/CFT) regime include inadequate AML training for the judiciary and prosecutors, lack of awareness among law enforcement of new AML/CFT procedures, and ineffective supervision of designated non-financial businesses and professions.

Dominica reports the offshore financial services sector is comprised of 13 offshore banks, which are regulated and supervised by the Financial Services Unit (FSU). In addition, there are seven money services businesses, 10 credit unions, one development bank, and 16 insurance companies in Dominica. These entities are all regulated by the FSU. There are an unknown number of trusts and international business companies (IBCs). (As of 2015, the number of IBCs was close to 19,000.) Dominica permits the operation of offshore internet gambling companies upon application to the FSU and registration as an IBC. Currently, at least one internet gaming company is licensed in Dominica, as well as a local slots casino. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their customer due diligence programs. Dominica also has four commercial banks, which are supervised by the Eastern Caribbean Central Bank.

Dominica states that its citizenship by investment (CBI) program provides much-needed revenue for development and reconstruction. Dominica refers to its program as "one of the fastest and most affordable" in the Caribbean. Under the program, individuals can obtain citizenship through payment to the government's Economic Diversification Fund of \$100,000 for an individual or \$200,000 for a family of four, or via a minimum real estate investment of \$200,000. The real estate option incurs fees ranging from \$25,000 to \$70,000 depending on family size. Agents market the CBI program and are typically the first point of contact for applicants. An application for economic citizenship must be made through a government-approved local agent and requires a fee to cover the due diligence process. There is no mandatory interview process. Applicants must make a source of funds declaration with supporting evidence. The government established a Citizenship by Investment Unit 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. These applicants, as well as those from Syria, undergo enhanced due diligence checks with associated higher fees. Dominica sometimes issues passports despite adverse information uncovered during vetting.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Relevant AML laws and regulations include the *2016 Money Laundering Prevention (Amendment) Act (MLPA)*, the *2013 Financial Services Unit (Amendment) Act*, and the *2016 Proceeds of Crime (Amendment) Act*. The amended *Magistrate's Code of Procedure Act* specifies the forms and procedures used in an application for detention, forfeiture, and release of cash. In 2021, in keeping with international standards, Dominica amended its *MLPA* and *Proceeds of Crime Act* to address beneficial ownership information.

Dominica has extradition and mutual legal assistance treaties with the United States. Dominican government agencies share information with foreign counterparts through exchanges between financial intelligence units (FIUs), customs services, police agencies, and through the Asset Recovery Inter-Agency Network for the Caribbean.

Dominica's FIU is a member of the Egmont Group of FIUs. Dominica is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Dominica's most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/dominica-1>.

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

While Dominica has no major legal deficiencies, given its numerous pieces of amended legislation, a review would be beneficial to identify conflicts and determine what legislative provisions could be consolidated into a single *MLPA*.

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

A comprehensive AML/CFT legislative framework is in place. AML/CFT regime vulnerabilities identified under the 2021 NRA are being addressed by an implementation action plan.

There has been increased collaboration among law enforcement agencies to coordinate joint operations to intercept criminal proceeds. There were two major money laundering cases in 2021, with a total monetary value of \$244,249.

## **Dominican Republic**

### **OVERVIEW**

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

Corruption within both the government and the private sector, the presence of international illicit trafficking organizations, a large informal economy, and weak financial controls make the DR vulnerable to money laundering threats. DR financial institutions are suspected of engaging 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.

President Abinader assumed the Presidency in August 2020 and has stated his commitment to strengthen anti-money laundering/combating the financing of terrorism (AML/CFT) actions, especially in narcotics trafficking and corruption cases. Key law enforcement officials have publicly committed to this increased focus.

The government should take steps to rectify continuing weaknesses regarding politically exposed persons (PEPs), pass effective civil asset forfeiture laws, enact legislation to provide safe harbor protection for suspicious transaction report (STR) filers, and criminalize the act of warning suspects of imminent police actions.

### **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 are businesses criminals exploit for 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, organized crime groups use currency exchange houses, money remittance companies, real estate and construction companies, and casinos to launder these illicit funds.

The DR has approximately 30 casinos plus lottery and sports betting parlors. Online gaming is legal. The Casino and Gambling Department of the Treasury Ministry supervises casinos, games of chance, and lotteries.

As of the end of 2019, 695 companies, primarily manufacturing firms, were located in the DR's 75 free trade zones (FTZs). These companies are exempt from most national and municipal taxes, as long as the products they produce are exported. The National Council of Export Free Trade Zones regulates the zones and is composed of representatives from the public and private sectors.

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## **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

*Law 155-17* is the DR's primary AML/CFT legislation. The DR has comprehensive customer due diligence and STR regulations. Under *Law 155-17*, Customs is obligated to report transactions in excess of \$10,000, and banking institutions, casinos, non-bank businesses, real estate companies, and betting and lottery parlors are required to report transactions in excess of \$15,000.

The United States and the DR do not have a bilateral mutual legal assistance treaty 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 has a mechanism for sharing and requesting information related to money laundering.

The Financial Analysis Unit (UAF), the financial intelligence unit (FIU), is a member of the Egmont group of FIUs. The DR is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/#Dominican%20Republic>.

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

The DR has weaknesses regarding PEPs, has no legislation providing safe harbor protection for STR filers, and does not criminalize the act of warning suspects of imminent police actions. The government needs to strengthen regulation of casinos and non-bank actors and is exploring options to do so.

The DR's weak criminal asset forfeiture regime is improving but does not cover confiscation of instrumentalities intended for use in money laundering schemes; 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 Dominican asset forfeiture regime with international standards has been pending in the legislature since 2014.

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

President Abinader committed publicly to the passage of a civil asset forfeiture law by the conclusion of the current legislative session in January 2022. The DR will miss this target but has committed to passing such legislation in the 2022 legislative session. President Abinader reinforced this pledge in December 2021. This commitment supports Abinader's anticorruption reform agenda that catapulted him to the presidency in 2020. The DR also continues to work on areas where it is noncompliant with international AML/CFT standards, and the national money laundering working group has publicly reaffirmed the government's commitment to addressing its AML/CFT deficiencies.

The Attorney General's Office (AGO) has a specialized AML unit but given weakness in the legal regime and limited resources and capacity, it has limited effectiveness. The AGO is exploring the establishment of a money laundering task force to bolstering its investigative capabilities. The task force would be led by the director of the AGO's AML unit and be

composed of the following Dominican governmental agencies: the National Police, the Drug Control Directorate, Customs, the Banking and Financial Sector Superintendent, the Tax Authority, and the UAF.

## **Ecuador**

### **OVERVIEW**

Ecuador is a major transit country for illicit drugs. A dollarized, cash-based, and large informal economy and Ecuador's geographic location between two major drug-producing countries make it highly vulnerable to money laundering and narco trafficking. Money laundering occurs primarily through trade, commercial activity, and cash couriers. The government-instituted COVID-19 state of emergency expanded money laundering opportunities.

Pursuing public corruption, a facilitator for money laundering, is a top priority for President Lasso's government. Authorities made progress on efforts to combat money laundering by implementing and training an interagency task force, establishing systems for risk-based analysis, and by successfully prosecuting high-level government officials involved in COVID-19-related corruption schemes. While Ecuador has strengthened its anti-money laundering/combating the financing of terrorism (AML/CFT) regime, the government needs to train personnel, allocate sufficient resources, and implement additional reforms to effectively prevent, detect, investigate, and prosecute money laundering.

Ecuadorian cooperation with U.S. law enforcement accelerated in 2021. In 2020, the U.S. Drug Enforcement Administration, Department of State, and Ecuador's Ministry of Government, Attorney General's Office (AGO), and Financial and Economic Analysis Unit (UAFE), Ecuador's financial intelligence unit (FIU), signed a memorandum of understanding. In October 2021, in collaboration with DEA, UAFE created a vetted AML unit, a specialized investigative group that targets money laundering directly related to and derived from narcotics trafficking.

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

Narco trafficking is a significant source of illicit proceeds. Porous land borders and a largely unprotected coastline enable transnational criminal organizations to traffic cocaine and heroin from Colombia and cocaine from Peru for distribution to the United States and Europe. Additionally, gasoline smuggling, illegal mining, human trafficking, arms trafficking, and environmental crimes have increased along Ecuador's northern border with Colombia over the past year.

Ecuador's 2020 COVID-19 state of emergency opened new avenues for money laundering. The AGO advanced a high-profile case in 2021 against public officials and private citizens for money laundering and irregular procurement of medical supplies during the pandemic.

Ecuador adopted the Unified System of Regional Payments (SUCRE), a virtual currency, to facilitate payments with Venezuela beginning in 2010. The AGO is prosecuting a case against

Banco Territorial for its illicit use of the SUCRE system.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In response to COVID-19 corruption cases, Ecuador passed several laws to enhance its ability to prosecute money laundering crimes. In February 2021, the government amended the *Comprehensive Organic Criminal Code* to include obstruction of justice, overpricing public tenders, and corruption by private sector actors. Additionally, it permits substituting an asset of equal value for victim restitution when the asset in question is no longer available. Many assets are destroyed or transferred to third parties to obstruct an investigation.

In April 2021, the National Assembly succeeded in passing the asset forfeiture law, and in May 2021, the Ecuadorian President signed it into law, allowing the seizure of assets in money laundering or corruption cases.

In December 2020, the National Assembly changed the judicial code to establish criminal courts specializing in organized crime (including money laundering). The Judicial Council is still working on formalizing the courts and appointing judges.

The UAFE is a member of the Egmont Group of Financial Intelligence Units. Ecuador is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Ecuador's most recent mutual evaluation report is available in Spanish only at: <http://www.fatf-gafi.org/countries/d-i/ecuador/documents/mutualevaluationofecuador.html>.

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

Prosecutors are required to inform suspects they are under investigation for money laundering, which may provide opportunities for individuals to obscure or destroy key evidence.

Legal deficiencies limit the government's ability to effectively address money laundering cases. Bulk cash smuggling investigations must be completed within 30 days, hampering convictions. Operational deficiencies result in complex money laundering cases taking many years to investigate, far exceeding the three-year statute of limitations, thereby impeding successful prosecutions.

The AGO indicates more legal reforms are necessary to close loopholes. For example, the constitution permits trials in absentia against government officials and eliminates the statute of limitations for specified crimes but not for money laundering.

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

In 2021, the AGO successfully prosecuted three high-profile cases: a case involving 19 individuals, including two National Assembly members, who were convicted of organized crime in the construction of the Hospital de Pedernales; Ivan Espinel Molina, former minister of social inclusion, sentenced to prison for laundering \$700,000 for private gain; and individuals sentenced to prison in the Odebrecht case. Additionally, the National Court of Justice sentenced

the former national secretary of water and the former legal coordinator for the Secretariate of Water to prison and imposed \$2.2 million fines for embezzlement of public funds.

In April 2021, UAFE signed an agreement establishing an AML specialized multi-disciplinary unit within the AGO interagency taskforce to strengthen interagency collaboration. Further, UAFE officials reported completing a national risk assessment, improving UAFE's capacity to identify emerging money laundering threats.

Despite noted achievements, UAFE and the AGO cited deficient legal reforms, budget shortfalls, and new, inexperienced staff as impediments. UAFE lacks the resources to implement a software upgrade designed to automate 90 percent of the processes analysts carry out manually.

## El Salvador

### OVERVIEW

El Salvador made limited progress in combating money laundering (ML) during 2021. However, poor regulatory oversight and enforcement continue to make El Salvador vulnerable to money laundering. The introduction of the cryptocurrency bitcoin as legal tender will only further complicate anti-money laundering/combating the financing of terrorism (AML/CFT) efforts. El Salvador transitioned its membership from the Caribbean Financial Action Task Force to the Financial Action Task Force (FATF) of Latin America (GAFILAT) in December 2021.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

El Salvador's dollarized economy combined with free movement of citizens in the region makes it attractive for money launderers. (A regional agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens.) Related risks include drug trafficking, human trafficking, extortion, tax evasion, corruption, and organized crime, namely Mara Salvatrucha, a transnational criminal organization (TCO) commonly known as MS-13, and Barrio 18, another TCO based in El Salvador and commonly known as the 18<sup>th</sup> Street Gang. El Salvador is a cash-based economy with only 25 percent of the population using bank accounts. El Salvador has identified several trade-based ML schemes stemming from lax border and customs controls. Lax regulatory oversight and enforcement over nonbank financial institutions and designated non-financial businesses and professions (DNFBPs) increase vulnerability.

Organized crime groups launder money through various means, including front companies, travel agencies, remittances, goods import and export, cargo transportation, and potential participation in the Black Market Peso Exchange. Illicit activity includes smurfing operations, whereby small amounts of money are transferred in a specific pattern to avoid detection. A lack of oversight of international transfers prevents regulatory authorities from determining whether money laundering is being used to fund terrorist activities.

As of December 2021, there are 17 free trade zones (FTZs) operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The current AML/CFT regulatory framework lacks sufficient supervisory and regulatory oversight of vulnerable economic sectors. Poor coordination and information-sharing between El Salvador's financial intelligence unit (FIU), the Financial Investigation Unit (UIF), and other Salvadoran regulatory bodies is also problematic although there was improvement in 2021. The UIF also lacks enforcement authority. Draft legislation introduced in November 2019 to address these problems was archived in May 2021; no reforms are underway.

On June 9, 2021, the National Assembly hastily enacted legislation that made bitcoin legal tender on September 7, 2021. The legislation was passed with little analysis and with limited time to develop implementing regulations, including for AML/CFT requirements. El Salvador is developing a nascent regulatory and supervisory AML/CFT framework for virtual assets and virtual asset service providers although some regulatory gaps remain and poor implementation could heighten transnational criminal organization, money laundering, and terrorist financing risks. Virtual asset service providers will be required to register with and will be supervised for AML/CFT by the Superintendency of the Financial System (SSF). Financial institutions have the option to register as bitcoin exchangers if they choose to offer these services and will continue to be subject to all the AML/CFT regulations of traditional financial services.

Banks must establish and maintain written procedures that are reasonably designed to identify and verify beneficial owners.

The UIF is a member of the Egmont Group of FIUs. El Salvador is a member of the GAFILAT, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/el-salvador-1>.

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

Regulatory supervision of AML/CFT compliance remains a significant problem in all economic sectors. There is a lack of meaningful supervision for some financial service businesses, such as savings and loan cooperatives and nonbank financial businesses, as well as for DNFBPs, including casinos, real estate agents, dealers in precious metals/stones, and professional services.

The UIF conducted two national risk assessments: a technical compliance evaluation and a separate effectiveness assessment. Both assessments raise concerns about El Salvador's compliance with international standards.

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

El Salvador's UIF is understaffed with only two attorneys and 12 analysts. Criminal investigations and prosecutions are primarily handled by the Attorney General's Anti-Impunity Group (GCI), made up of approximately 14 prosecutors and nine analysts. The separate Specialized AML Unit is made up of 20 prosecutors and six financial analysts.

Following political changes in May 2021, AML criminal investigations have focused only on officials from prior administrations with no known charges against officials of the current administration.

The GCI filed criminal charges against Irving Pavel Tochez Maravilla, former president of the national energy company, and eight others accused of laundering \$16 million. The GCI also filed a criminal indictment against the former president of the legislative assembly, Sigfrido Reyes, and 13 other defendants accused of money laundering, embezzlement, aggravated fraud, and breach of duties. In May 2021, the former first lady of El Salvador, Ana Ligia de Sacá, and her brother, Oscar Edgardo Sol Mixco, received 10-year sentences for money laundering and were ordered to repay \$17.6 million.

The Specialized AML Unit filed criminal charges against the former president of El Salvador, Mauricio Funes, and others for steering a public-works contract for \$8.5 million in exchange for a private jet.

## Georgia

### OVERVIEW

Georgia is a responsible player in the international fight against narcotics-related money laundering (ML). Under the Association Agreement with the European Union, Georgia has committed to bringing its legislation in line with EU law in terms of prevention, detection, and fighting against ML. Georgia's Parliament has adopted new regulations to further define Georgia's anti-money laundering/combating the financing of terrorism (AML/CFT) regulatory framework and monitoring mechanisms to identify links among drugs, organized crime, and ML. The National Bank and Financial Monitoring Service (FMS) adopted bylaws and guidelines to ensure effective reporting and implementation of due diligence measures. The gaming industry is one of the key sectors vulnerable to ML. The proceeds of criminal finance continues to be a major area of concern for law enforcement agencies and regulators. During COVID, reporting by Georgian entities decreased, and new schemes for illegal income were generated.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

During the COVID pandemic, new ML schemes involving offshore financial institutions and shadow companies flourished. Unregulated cryptocurrency and fast-growing virtual consumer service providers also increase vulnerabilities for money laundering. Criminal actors have been known to purchase financial institutions in Georgia, and transaction laundering (e.g., miscoding financial transactions) through payment processing has increased in recent years.



Lack of efficient supervision of the gaming sector is also an area ripe for money laundering. According to the FMS 2020 annual report, there are 317 lotteries and gaming institutions registered in Georgia and 25 casinos in addition to internet gaming. The AML obligations of gaming establishments are very similar to those placed on other covered entities. The Ministry of Finance is tasked with supervising lottery organizations, gaming institutions, and casinos for AML compliance.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Based on recommendations from international experts, Georgia further streamlined its AML/CFT regulatory framework by expanding the group of reporting entities and creating efficient internal procedures to better implement terrorism finance (TF)-related financial sanctions. The law applies enhanced due diligence to both domestic and foreign politically exposed persons.

Georgia's civil procedure code permits civil forfeiture of any undocumented property in the possession of persons convicted for ML.

The FMS is a member of the Egmont Group of Financial Intelligence Units. Georgia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at:  
<https://www.coe.int/en/web/moneyval/jurisdictions/georgia>.

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

Georgia continues to be a popular virtual currency mining location. It lacks experienced cybercrime labs and only has a handful of qualified digital forensic analysts. Capacity-building efforts need to be directed toward improving legislation on collecting and analyzing digital evidence. The Prosecution Service of Georgia (PSG) recently created a new cybercrime department and developed cryptocurrency seizure guidelines to be used by the law enforcement community.

The number of suspicious transaction reports (STRs) submitted thus far in 2021 by casinos (one STR) and other gaming businesses (35 STRs) is still suspiciously low and may indicate the gaming industry may not be fully complying with existing regulations.

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

Most ML investigations derive from the financial intelligence disseminated by the FMS. Georgian authorities should strengthen their AML/CFT measures, use financial intelligence to detect and investigate such cases, and strengthen supervision and regulation of high-risk non-financial sectors, such as casinos.

The PSG utilized donor-provided software to help uncover patterns and assist in identifying and disrupting money laundering threats. Additional training on how to use the software is

anticipated in December 2021. However, shortcomings exist regarding identification, in-depth analysis, and understanding of some threats, vulnerabilities, and risks in the following areas: the use of cash in the economy; the real estate sector; trade-based ML/TF; the activities of legal persons; and the use of non-profit organizations. At this time, it is unknown if the above sectors are being used to facilitate narcotics activity. Georgia is working to develop policy-level interagency cooperation and lacks a taskforce approach at the operational level, which would facilitate a greater exchange of information and cooperation, pulling together intelligence and resources.

The PSG uses a multi-agency platform with law enforcement and the FMS to analyze cases, generalize practices, and identify current trends in profit-motivated crimes. Georgia effectively cooperates with a wide range of foreign jurisdictions in providing and seeking information using both formal and informal channels.

In the first half of FY2021, four prosecutions were initiated with money laundering charges and seven cases ended with convictions against 17 individuals. Two cases of money laundering where investigations were derived from drug cases ended with convictions in 2021. Several money laundering investigations linked with drug trafficking, prostitution, and fraud with international components involving large sums of money were initiated in 2021. STRs still remain the main source of money laundering investigations. Georgia needs to improve its ability to identify and investigate money laundering cases in the absence of STRs.

## Ghana

### OVERVIEW

Ghana continues to strengthen its anti-money laundering/combating the financing of terrorism (AML/CFT) laws. The government is working to implement its AML/CFT regime across all sectors and institutions. Ghana continues to consolidate its banking and financial sectors, with new capital requirements reducing the number of operating banks. This consolidation, along with an incremental but positive trajectory of improved banking supervision, should aid authorities in prioritizing the allocation of resources.

The Ghanaian government worked to implement an agreed-upon, two-year AML/CFT action plan to ensure its AML/CFT system is effective. In 2021, international experts indicated Ghana had made significant strides in strengthening its AML/CFT system and put adequate measures in place to make its regime effective.

Non-profit organizations (NPOs) and designated non-financial businesses and professions (DNFBPs), whose operations are largely cash-based, present significant money laundering/terrorist financing risks and continue to represent the largest gaps in Ghana's AML/CFT regime.

The government 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 suspicious transaction reports (STRs) and currency transaction reports, as required by Ghanaian law.

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

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

Ghana is a cash-dominant economy. While bulk cash smuggling remains the preferred money laundering scheme, there has been an increase in trade-based money laundering. Fraud proceeds in the United States are used to purchase physical goods, predominantly vehicles, which are then shipped from the United States to Ghana.

Ghana is a transit point for illicit drugs trafficked from Asia and South America to other African countries and Europe. Drug traffickers from neighboring Benin, Togo, and Nigeria transport trafficking proceeds by cash couriers along the porous Ghanaian border. Criminals are increasingly using digital currencies, including gift cards, bitcoin, and digital exchanges in their activities. In 2019, the Bank of Ghana issued a notice to the public that digital currencies are not licensed under the Payments System Act 2003.

The lack of AML/CFT enforcement and ineffective adherence to customer due diligence (CDD) requirements make Ghanaian DNFBPs vulnerable to money laundering. Additionally, Ghana lacks a robust risk assessment methodology for the DNFBP sector, but the government is working to address these vulnerabilities. Ghana is working toward, but has not finalized, sector-specific AML guidelines.

Ghana has designated four free trade zones (FTZs), but only one is active. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

On December 29, 2020, Ghana enacted the *Anti-Money Laundering Act, 2020 (Act 1044)*. The legislation consolidates laws and addresses deficiencies in the 2008 AML law. *Act 1044* makes changes to the governance and administrative structure of the Financial Intelligence Center (FIC), Ghana's financial intelligence unit (FIU), and empowers the FIC to issue directives and notices regarding companies' compliance with the act. It further expands the scope of unlawful activities and the oversight of accountable institutions and imposes strict money laundering sanctions.

Ghana has comprehensive CDD and STR regulations and legal persons are covered. In 2019, the president signed legislation to establish a beneficial ownership register. A legislative

amendment to make beneficial ownership and politically exposed persons' (PEP) data publicly available remains pending approval in Parliament.

Ghana and the United States do not have a mutual legal assistance treaty, but they do have a bilateral extradition treaty. Evidence can be exchanged through multilateral conventions with provisions for cooperation in criminal matters and assistance can also be provided on a reciprocal basis through letters of request.

The FIC is a member of the Egmont Group of FIUs. Ghana is a member of the Inter Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.giaba.org/reports/mutual-evaluation/Ghana.html>.

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

There is a lack of effective identification and monitoring of PEPs and their associates.

In 2020, Ghana established a National Non-Profit Organization Secretariat (NPOS) and a subsequent framework for the regulation and supervision of the NPO sector. One of the goals of the NPOS is to adopt a risk-based approach to NPO monitoring and supervision. However, 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 CDD remains challenging, as many of the publicly owned identity verification databases are not available online, and those that are available are not updated regularly.

The Attorney General's Office and non-attorney police prosecutors prosecute financial crimes. In November 2021, investigators from multiple agencies attended training on interagency cooperation in financial investigations. However, relatively few investigators and prosecutors have received specialized AML training. Ghana currently has no certified financial crime investigators trained in asset forfeiture.

Ghana continues to work toward compliance with international AML/CFT standards. 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, creating challenges for the government in combating corruption, money laundering, and financial crimes related to narcotics trafficking. The Public Ministry (MP) and

Constitutional Court experienced tumultuous changes in 2021 that raise international concern about the state of democratic institutions and the rule of law in Guatemala. The lack of judicial will as well as interference by Attorney General María Consuelo Porras (named by the United States to the Corrupt and Undemocratic Actors List, also known as the “Engel List,” in September 2021 under Section 353 of the United States-Northern Triangle Enhanced Engagement Act for obstructing investigations into acts of corruption) hinders the MP in effectively prosecuting corruption cases – including those with a money laundering and narco-trafficking nexus. The government’s failure to act against U.S.-designated officials, while pursuing dubious charges against those in the justice sector who have pursued or presided over cases of high-level corruption, has tarnished its credibility.

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

Guatemala’s position, equidistant between South American coca sources and U.S. drug markets, coupled with public corruption, makes the country strategically important for drug transit and money laundering. Criminal organizations broker and conceal illicit profits, exploiting weak laws and institutions and ultimately contributing to the Guatemalan government’s opaque contract implementation. In the private sector, laundering of drug trafficking profits commonly occurs through real estate, construction, and ranching transactions. Guatemala does not prohibit deposit structuring to avoid reporting requirements, and banks report difficulties regulating cash flow and transactions associated with casinos and livestock wherein proceeds are deposited in banks located elsewhere from the business activity. Additionally, a draft religious freedom bill, if passed, would exempt evangelical churches from reporting the source of funds from their donors and further complicate efforts to combat money laundering in Guatemala.

The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua permits the free movement of citizens across shared borders without requirements to declare cash above \$10,000. However, wire transfers of foreign currency into Guatemala are limited to \$3,000 per person per month.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Guatemalan *Law against Money Laundering or Other Assets (LAML)* regulates all aspects of money laundering prevention and enforcement. Pursuant to the *LAML*, entities and professions identified in the law must report all suspicious and unusual financial activities of their clients. However, the *LAML* does not apply to numerous entities in the financial, commercial, and service sectors that are vulnerable to money laundering activity.

Guatemala’s Special Verification Supervisor (SVS), the country’s financial intelligence unit (FIU), is a member of the Egmont Group of FIUs. Guatemala is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/media/fatf/documents/GAFILAT-CFATF%20Mutual%20Evaluation%20Report%20of%20Guatemala%20-%202016.pdf>.

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

International experts detected deficiencies in Guatemala's anti-money laundering/combating the financing of terrorism (AML/CFT) laws with respect to designated non-financial businesses and professions, noting that numerous professions and activities at high risk for use by money launderers were not covered by the law, including attorneys, notaries, cryptocurrency traders, and casinos.

In 2020, the SVS proposed new AML/CFT legislation to address these deficiencies by expanding the professions and activities required to comply with reporting requirements and enforcing risk mitigation. The proposed law, which still fails to consider all relevant activities, remains under consideration by the Guatemalan congress and is considered unlikely to pass as proposed.

In addition to legal deficiencies, poor interagency coordination and limited resources produce mixed results applying the laws, including enforcement of the AML and suspicious activity reporting regulations and application of know your customer procedures.

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

Guatemala and the United States do not have a mutual legal assistance treaty, creating hurdles to the repatriation of assets linked to criminal activities, including collaboration to enforce asset forfeiture orders. However, the use of multilateral treaties to exchange financial crime information has led to prosecutions of significant money laundering offenses in the United States and Guatemala. The MP Prosecutor's Office for International Affairs works closely with the U.S. Department of Justice in the coordination of timely responses to financial information requests. The heads of Guatemala's taxing authority have requested increased bilateral cooperation, including but not limited to potential for signing tax treaties and/or memorandums of understanding, to facilitate the sharing of information.

Guatemala continues to struggle to enforce its AML/CFT and asset forfeiture laws. The National Civil Police's Financial and Economic Crimes Unit lacks technical expertise and strategic vision in prioritizing cases. In 2021, it has failed to resolve eight active cases and has an additional 45 investigations pending. The country's financial system regulator reported to the MP more than \$530,000 of suspicious money laundering activity through August 2021, easily surpassing the 2020 total of approximately \$328,000. The MP has been forced to change its approach to try to meet the enforcement demand, but its Prosecutor's Office to Counter Money Laundering has been unable to implement recommended technical improvements.

## **Guyana**

### **OVERVIEW**

Guyana's large, informal economy facilitates criminal activities having a close nexus with narcotics and human trafficking, illegal logging, and the illicit gold trade. Loosely regulated currency exchange houses, casinos, and dealers in precious metals and stones pose risks to Guyana's anti-money laundering/combating the financing of terrorism (AML/CFT) regime.

Other sectoral vulnerabilities include the banking industry and unregulated attorneys, accountants, real estate agents, used car dealers, and charities.

While Guyana has laws to tackle money laundering, the government devotes minimal resources to enforcing existing laws. A lack of technical expertise constrains the government's ability to successfully investigate and prosecute financial crimes.

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

Guyana completed its 2021 national risk assessment (NRA) in June; it has yet to be published. The 2017 NRA determined it has a medium-to-high money laundering risk and a medium terrorist financing threat. 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.

In June 2021, the government completed its second NRA. The NRA focused on money laundering threats, including those related to the emerging oil and gas sector, the banking and insurance sectors, non-bank financial institutions, and the illegal wildlife trade, along with terrorism financing and proliferation financing risks.

Guyana does not have free trade zones, offshore financial centers, virtual currency platforms, or economic citizenship programs. Guyana does permit gaming, and the Gaming Authority of the Republic of Guyana regulates and supervises all gaming activities. Its website lists two licensed casinos, one state lottery, and eight betting shops.

Common money laundering typologies include use of money transfer agencies to move illicit funds, large cash deposits using forged agreements of sale for non-existent 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. More recently, suspected illegal funds are transferred via international financial institutions under the guise of making purchases for COVID-19 medical supplies.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Guyana's AML/CFT legislation covers legal persons and provides enhanced due diligence for politically exposed persons (PEPs). The government has a risk-based assessment plan from its 2017 NRA.

Guyana has a series of money laundering and terrorist financing laws. 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*, the *Guyana Gold Board Act, 1981*, and the *Integrity Commission Act, 1997* bolster Guyana's AML/CFT legislative response.

Guyana has comprehensive customer due diligence and suspicious transaction reporting regulations. There is also a records exchange mechanism in place with the United States and other governments.

Guyana is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/member-countries/guyana>.

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

In June 2021, the government identified deficiencies within its AML legislative framework it intends to correct, including information-sharing restrictions on the financial intelligence unit (FIU) and the exclusion of international organizations from the definition of PEPs. In 2021, the government identified a legislative agenda to remedy the deficiencies in the AML/CFT Act and related legislation as identified by the NRA.

Guyana lacks standardized provisions for secure electronic communications and transactions. The *Electronic Communications and Transaction Bill* and an AML/CFT national strategic plan remain in draft form, and the government did not report when these would be finalized.

The FIU applied for membership in the Egmont Group of FIUs (Egmont Group) in 2011 but its application is still pending. Guyana has satisfied some of the Egmont Group's criteria but has yet to comply fully with the Egmont Group's recommended changes to its AML/CFT Act.

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

The major agencies involved in anti-drug and AML efforts are the Guyana Police Force, Guyana Revenue Authority (GRA), Customs Anti-Narcotics Unit, Special Organized Crimes Unit (SOCU), Bank of Guyana, and the FIU within the Ministry of Finance.

In 2021, SOCU recruited additional staff in the areas of law, forensic audit, accounting, and investigations. Interagency cooperation between SOCU and the office of the Director of Public Prosecutions led to the conclusions of several longstanding money laundering cases.

The government has shown some progress on the AML/CFT front. Guyana still needs to increase its training for the judiciary on 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 also improve their interagency coordination, and the GRA should report suspicious transactions to SOCU.

## **Haiti**

### **OVERVIEW**



The government's efforts to improve its anti-money laundering/combating the financing of terrorism (AML/CFT) regime have stalled due, in part, to the absence of a constitutional government and increased political instability and uncertainty following the 2021 presidential assassination.

Haitian gangs and corrupt actors are engaged in international drug trafficking and other criminal activity. While Haiti is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Drug trafficking in Haiti, and related money laundering, is primarily connected to the United States. While key legislation is in place, including anticorruption and AML laws, the weakness of the judicial system, impunity, and a lack of political will have allowed corruption and money laundering to take hold in Haiti. The government did not make measurable AML/CFT progress during 2021 but is receiving assistance from international organizations to try to address deficiencies and improve its capabilities.

In June 2021, Haiti made a high-level political commitment to strengthen the effectiveness of its AML/CFT regime and agreed to an action plan encompassing a number of specific measures, including increasing risk-based monitoring and information sharing and increasing the identification, tracing, and recovery of criminal proceeds.

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

Identified money laundering schemes mostly involve significant amounts of U.S. currency held in banks outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A majority of property confiscations 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 tax fraud. Foreign currencies represent approximately 66 percent of Haiti's bank deposits.

Haiti has 10 operational free trade zones (FTZs). FTZs are licensed and regulated by the Free Zones National Council, a public-private enterprise. AML laws and regulations apply to companies operating in FTZs.

The Ministry of Economy and Finance oversees the Haitian State Lottery. According to the latest reported figures, Haiti has 157 licensed and many unlicensed casinos. Gaming entities are subject to AML requirements. Online gaming is illegal.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In the absence of a functioning parliament, the government adopted a law by decree on foreign exchange intermediaries and transactions in late 2020, to increase regulatory oversight and reduce money laundering opportunities.

The 2020 adoption of a new criminal code and criminal procedural code was expected to improve corruption and money laundering prosecutions, with implementation to take place over

two years. However, given political uncertainty and the delay in naming a Ministry of Justice transitional council, implementation has been prolonged and is expected to take years to complete. The new codes will not address the historic unwillingness of judges and courts to address cases referred for prosecution because of corruption and other reasons.

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/CFATF-Mutual-Evaluation-Republic-of-Haiti-2019%20.pdf>.

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

The financial intelligence unit (FIU) of Haiti, the Central Financial Intelligence Unit (UCREF), is not a member of the Egmont Group of FIUs. UCREF was working with sponsors on applying for membership in 2020 but has not made measurable progress toward this goal.

The weaknesses of the Haitian legal framework, judicial system, and prosecutorial mechanisms continue to leave the country vulnerable to corruption and money laundering. Haiti does, however, maintain international narcotics control agreements and cooperates regularly with the United States on drug-related cases.

The AML/CFT law, as amended in 2017, undermines the independence and effectiveness of the UCREF.

Haiti should 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. In 2021, international donors provided legislative drafting assistance and conducted training for the Haitian central bank to improve its AML capabilities.

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

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 country's executive leadership, and the failure of judges to investigate, schedule, and refer cases to prosecutors.

The UCREF is an ineffective, passive institution with little law enforcement impact. The UCREF does not follow up with the prosecutor's office regarding referrals. The UCREF forwarded three cases to the judiciary in 2019, two in 2020, and zero in 2021.

The Haitian National Police financial crimes unit (BAFE) is understaffed and under-resourced. It has limited interaction with the UCREF. Like 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. There were no convictions or prosecutions for money laundering in 2020 or 2021.

The government should devote more 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. International experts recommend modification of certain Haitian laws as current privacy laws restrict the government's insight into foreign citizens' holdings in Haitian banks. The government should take steps to combat pervasive corruption at all levels of government. International partners have also called for closer cooperation on AML/CFT efforts and measures to end impunity.

## Honduras

### OVERVIEW

Money laundering in Honduras stems primarily from narcotics trafficking by organized criminal groups, the illicit proceeds of public corruption, and cybercrime. Honduras is not a regional or offshore financial center.

The Honduran National Banking and Insurance Commission (CNBS) leads the implementation of the national anti-money laundering/combating the financing of terrorism (AML/CFT) strategy and the laws and regulations related to designated non-financial businesses and professions (DNFBPs). This comprehensive implementation effort involves multiple Honduran government agencies, including justice sector institutions. However, because the DNFBP law and regulations are not implemented fully, supervision to prevent money laundering is limited. The lack of capacity to investigate complex financial transactions also contributes to a favorable money laundering climate. In 2021, the Honduran government passed legal reforms to its penal code and AML laws, which create procedural obstacles in relation to AML and corruption-related investigations.

### 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 the formal banking system and DNFBPs. Trade-based businesses commonly used to launder funds include those operating in the automobile and real estate sectors, money or value transfer systems, currency exchange houses, credit unions, potential participation in the Black Market Peso Exchange, the construction sector, and cattle ranching.

Moreover, corruption and links to organized crime in the private and public sectors remain widespread, with the illicit proceeds of public corruption being subject to laundering.

A regional treaty among El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of citizens among these countries, providing greater opportunity for the cross-border smuggling of people, contraband, and cash.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

Honduras is implementing the national AML/CFT strategy established in 2019. Honduras has customer due diligence and suspicious transactions reporting (STR) regulations, but additional procedures are necessary for full implementation of the AML law, for example, regarding beneficial ownership registration and mechanisms to manage de-risking.

Currently, there is no mutual legal assistance treaty between Honduras and the United States that allows for exchange of records. However, Honduran authorities have allowed records and information exchange under relevant United Nations conventions that establish the process of mutual legal assistance between states parties. Honduran civil asset forfeiture law allows Honduras to cooperate with other states on asset recovery and sharing.

The financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Honduras is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report 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**

In November 2021, reforms to the AML statute entered into force, reducing the scope of AML requirements in key areas. Corruption-related fraud is no longer an underlying offense in the AML statute, making it harder to establish money laundering in those types of cases. Moreover, the reforms to the bank secrecy regulations of the AML law and interpretations of the criminal procedure code now require prosecutors to obtain a court order to request financial information. However, financial information now can only be provided under AML, terrorism, or civil asset forfeiture investigations, limiting the Public Ministry's capacity to investigate the financial angle of certain corruption crimes. These reforms will likely affect Honduras' compliance with international standards and represent a setback to its AML/CFT regime. Under the reforms, civil society organizations and non-governmental organization directors have been included as politically exposed persons, raising concerns about the treatment these individuals will receive from the regulatory entities and the financial sector.

Bearer shares are legal and there is no system for beneficial ownership registration to identify and verify beneficiaries in complex financial transactions.

The Honduran financial system suspends individuals under investigation for money laundering and limits their access to the banking system. The Superintendence of Commercial Companies, created by the Honduran constitution to supervise and regulate businesses to prevent financial related crimes, remains inactive. There are specialized entities, such as the CNBS and the National Supervisory Council of Cooperatives (CONSUCOOP), that combat and prevent money laundering in the private sector though CONSUCOOP lacks sufficient resources to do so effectively.

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

FIU staff and Public Ministry financial analysts need training on financial institution products, international standards, financial analysis, report writing, relevant laws, and STR and currency transaction report analysis.

Contrary to international standards, Honduras uses asset seizure as the default interim measure, imposing freezing orders only if seizure is impossible. However, asset forfeiture courts have begun applying general principles of proportionality, reasonableness, suitability, necessity, adequacy, and justification to order less drastic alternatives to seizure. The law enforcement community and judges require training to prevent the misuse of asset seizures in both criminal and civil asset forfeiture.

Virtual currency is gaining popularity throughout Central America, including in Honduras. Given that Honduras does not yet regulate virtual assets, this presents a challenge which regulators and the law enforcement community will have to address, adapting the regulatory system and judicial processes to handle investigations related to these types of assets.

In January 2021, Honduras signed an agreement to have an international donor open an in-country office focusing on drug trafficking, transnational organized crime, cyber-crimes, human smuggling, and corruption.

## Hong Kong

### OVERVIEW

Hong Kong, a Special Administrative Region of the People's Republic of China, is an international financial and trading hub. 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 trade-based money laundering and underground finance. Hong Kong shell companies can be exploited to launder money, facilitate illicit trade, and gain access to the international financial system.

Hong Kong officials indicate the primary sources of laundered funds are local and overseas criminal activity, fraud and financial crimes, illegal gaming, loan sharking, smuggling, and vice. Groups involved in money laundering range from local criminal organizations to sophisticated international syndicates involved in assorted criminal activities, including drug and wildlife trafficking. A local lottery and betting on horse racing and soccer are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club, a non-profit entity that collaborates with law enforcement to disrupt illegal gaming outlets.

Hong Kong officials recognize that virtual assets could become vehicles for money laundering and terrorist financing. The officials acknowledge the current level of government oversight of virtual assets is insufficient to keep up with the rapid evolution of new products and services.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Hong Kong has anti-money laundering/combating the financing of terrorism (AML/CFT) legislation allowing the tracing and confiscation of proceeds derived from drug trafficking and organized crime. Hong Kong's *Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance* (AMLO) includes provisions for customer due diligence (CDD) and suspicious transaction reporting. Statutory CDD and record-keeping requirements extend to include designated non-financial businesses and professions (DNFBPs). Companies incorporated in Hong Kong must maintain beneficial ownership information. Suspicious transaction reports must be filed with the Joint Financial Intelligence Unit (JFIU).

In 2021, to guide banks at various stages of AML/CFT regulatory technology (Regtech) adoption, the Hong Kong Monetary Authority (HKMA) published "AML/CFT Regtech: Case Studies and Insights" to bolster the banking sector's responsible use of new technologies and data for AML/CFT-related work.

The JFIU is a member of the Egmont Group of Financial Intelligence Units. Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. The 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. Limited sanctions have been applied against some sectors, including moneylenders. The Hong Kong government should provide a timeline for submitting to the Legislative Council its new amendment seeking to extend the AMLO to include virtual assets.

Dealers in precious metals and stones (DPMS) and financial leasing companies are not regulated for AML/CFT purposes. Hong Kong's Financial Services and the Treasury Bureau (FSTB) plans to introduce an amendment bill to the AMLO for consideration by the Legislative Council in its 2021-2022 session. The bill would establish a two-tier registration regime for DPMS.

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

Despite outreach efforts to inform relevant parties of appropriate AML controls and potential criminal liabilities for noncompliance, Hong Kong has a low number of prosecutions and convictions compared to the number of cases investigated.

The following bilateral agreements are currently under suspension: the *Surrender of Fugitive Offenders Agreement*; the *Transfer of Sentenced Persons Agreement*; the *Reciprocal Tax Exemptions on Income Derived from the International Operation of Ships Agreement*, and the *Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs*.

The 1988 United Nations (UN) Drug Convention was extended to Hong Kong in 1997, and the UN Convention against Corruption and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

The latest AML/CFT guidelines, released by HKMA on October 22, 2021, advise banks they will be expected to disclose the property of customers who have been charged or arrested for violating the city's *National Security Law* (NSL) or when the banks know or suspect the property is crime-related after receiving notice from law enforcement agencies. Failure to comply may render the offender liable to a fine and imprisonment. Many countries, including the United States, have condemned Beijing and Hong Kong for use of the NSL to imprison or harass the media and political opposition, silence dissent, and violate individual freedoms.

On September 30, 2021, Hong Kong's revised AML/CFT Guidelines took effect apart from the new requirements for cross-border correspondent relationships, which will come into effect in 2022.

There were 69 money laundering convictions in 2020.

## India

### OVERVIEW

Indian Prime Minister Modi has prioritized curtailing illicit financial activity as part of his administration's plans to formalize and digitize India's financial system to reduce corruption and increase the tax base. Nonetheless, India faces various money laundering vulnerabilities such as informal financing networks that largely serve 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 and commodities, such as in the diamond cutting and polishing sector. The most common money laundering methods include intermingling criminal proceeds with lawful assets, purchasing bank checks with cash, routing

funds through employees' accounts, informal value transfer systems, and complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origins of funds, and companies use TBML to evade capital controls. Illicit funds continue to be laundered through gold purchases, charities, election campaigns, and educational programs.

As of October 2020, 262 of India's approved 426 Special Economic Zones (SEZs) are operational. India has licensed nine offshore banking units (OBUs) to operate in the SEZs. OBUs have defined physical boundaries and functional limits, are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML regulations as the domestic sector. Customs officers control access to the SEZs.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The *Prevention of Money Laundering Act* (PMLA) and rules established by the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) establish a broad framework for prosecuting money laundering in India. The *Real Estate Regulatory Authority Act* and the amended *Benami Transactions (Prohibition) Act* ensure a transparent environment for real estate projects.

India has comprehensive customer due diligence (CDD) and suspicious transaction reporting (STR) requirements. India exercises enhanced due diligence for politically exposed persons and calls for the collection, retention, and disclosure of beneficial ownership information.

In February 2021, the RBI announced that new investors operating from or through jurisdictions designated as high-risk for money laundering should not be allowed to directly or indirectly acquire more than 20 percent of the voting power in non-banking finance companies. In June 2021, the RBI announced similar rules for payment systems operators.

In September 2021, market regulator SEBI said asset management companies should have an anti-money laundering/combating the financing of terrorism (AML/CFT) program to monitor transactions to identify suspicious activities, ensure STRs are filed, and adequately train employees in their AML/CFT obligations. The revised framework will be effective starting January 1, 2022; asset management companies must perform a self-assessment and develop a roadmap for implementation of the framework.

The Ministry of Home Affairs reorganized its CFT responsibilities and created a new counterterrorism and counter-radicalization division. The RBI and SEBI, in March 2021, notified market participants of revised procedures related to implementation of Section 51A of the *Unlawful Activities (Prevention) Act* addressing designations, asset freezing, and confiscation procedures.

To facilitate digital onboarding of customers, in May 2021, the RBI announced that regulated entities could continue to use the Video-Based Customer Identification Process (V-CIP) as an alternate method of customer identification. In addition, due to COVID-19-related restrictions, the RBI advised regulated entities not to restrict operations of bank accounts requiring CDD



updates until December 31, 2021.

India is a member of the Egmont Group of Financial Intelligence Units, the Financial Action Task Force (FATF), and two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering and the Eurasian Group on Combating Money Laundering and Financing of Terrorism. India's most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/india/>.

### **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 of India prioritizes crimes of tax evasion and counterfeit currency while CFT and AML are lower priorities.

RBI's digital currency is still being developed as is legislation associated with the acceptance of virtual assets.

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

India has taken steps to implement an effective AML/CFT regime though deficiencies remain.

Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially regarding criminal prosecutions.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. While there have been numerous money seizures, lack of follow-through on investigative leads has prevented more comprehensive action 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 limiting its ability to help.

India should address TBML, noted shortcomings in the criminalization and investigation of money laundering, as well as its domestic framework for confiscation and provisional measures. The government should ensure all relevant designated non-financial businesses and professions comply with AML regulations. India should extend its safe harbor provision to cover all employees. The government 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 that lack coordination. Risks also stem from terrorist financing, corruption, and tax avoidance, followed by drug trafficking, and to a lesser extent illegal logging, wildlife trafficking, theft, fraud, embezzlement, and the sale of counterfeit goods. Criminal proceeds are laundered through the banking, capital markets, real estate, and motor vehicle sectors, and sent offshore for later repatriation.

Indonesia is making progress to counter vulnerabilities. Authorities continue to release regulations geared toward a risk-based approach, and there is, generally, a high level of technical compliance with anti-money laundering/combating the financing of terrorism (AML/CFT) standards. As to coordination between the government and financial sector, only moderate improvements are needed. 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. In addition, to conduct meaningful asset tracing investigators and prosecutors need better access to complete banking records, a process hindered by the bank secrecy laws.

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

Indonesia is vulnerable to the smuggling of illicit goods, controlled commodities, 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. Free trade zones (FTZs) are not a major concern. However, information sharing between Malaysia and Indonesia concerning illicit cargo transiting the FTZs within the Strait of Malacca should be improved.

Indonesia has bolstered cooperation regionally to disrupt terrorist networks, and related financial flows are shifting toward greater use of informal channels. The trend is to use domestic social media and non-governmental organizations to finance smaller terrorism attacks. These networks are also increasingly using sophisticated efforts to avoid monitoring and detection of communications.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Indonesia has comprehensive customer due diligence and suspicious transaction report (STR) regulations. Politically exposed persons are subject to enhanced due diligence. *Presidential Regulation 13 of 2018* and Ministry of Law and Human Rights regulations 15 and 21 of 2019 call for the disclosure of beneficial owners.

In June 2021, the Constitutional Court issued a broader interpretation of Article 74 of the money laundering law (*Law No. 8 of 2010*). Under the new interpretation, all civil servants authorized to investigate crimes are also empowered to conduct parallel money laundering investigations. This change is expected to increase investigations of money laundering related to environmental crimes, such as illegal logging.

*Regulation No. 61 of 2021* broadens the list of entities required to file STRs with the Indonesian Financial Transaction Reports and Analysis Center (PPATK) to include fintech companies involved in providing lending, financial transactions, and equity crowdfunding services.

PPATK is a member of the Egmont Group of Financial Intelligence Units and Indonesia is a member of the Asia/Pacific Group On Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 investigators' insufficient access to complete banking information due to the bank secrecy law, 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. More effective information sharing with international law enforcement is also needed to make Indonesia a more meaningful partner in international AML/CFT efforts.

Since a large share of money laundering in Indonesia is related to corruption, the legal revisions to the *Corruption Eradication Commission Law* in September 2019, which have undermined the commission's independence and led to a decrease in the number and quality of corruption cases, will likely lead to more money laundering risks and less enforcement.

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

In 2017, Indonesia conducted a national money laundering/terrorist financing risk assessment and is taking steps to implement applicable agreements and conventions and to comply fully with international standards. An updated terrorist financing risk assessment was conducted in 2019. Combating narcotics abuse is a priority for the current administration, and Indonesia recognizes the need for international cooperation.

PPATK publishes a monthly report summarizing STR activity. In addition to currency transaction report 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 2021, PPATK referred 236 Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators – a 1.7 percent reduction year over year. Most were alleged terrorist financing cases, followed by corruption and tax evasion. For the period January-June 2021, PPATK produced 13 Examination Reports, one more than the prior year.

## **Iran**

### **OVERVIEW**

Iran has a large underground economy, spurred in part by uneven taxation, widespread Islamic

Revolutionary Guard Corps (IRGC) corruption and smuggling, money laundering (ML), sanctions evasion, public corruption, 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.

In 2011, the Financial Crimes Enforcement Network (FinCEN) identified Iran as a jurisdiction of primary ML concern pursuant to Section 311 of the USA PATRIOT Act. On October 25, 2019, FinCEN again issued a finding that Iran was a jurisdiction of primary money laundering concern and issued a regulation prohibiting the opening or maintenance of a correspondent account in the United States for or on behalf of an Iranian financial institution and prohibiting foreign financial institutions' correspondent accounts at U.S. banks from processing transactions involving Iranian financial institutions. Additionally, the Financial Action Task Force (FATF) has repeatedly warned of the risk of terrorist financing (TF) posed by Iran and the threat this presents to the international financial system. In 2016, the FATF suspended its call for countermeasures against Iran in response to a high-level political commitment from Iran's government to implement reforms outlined in a 10-step action plan. In February 2020, due to Iran's failure to complete its action plan, the FATF reimposed full countermeasures.

In December 2020, Iranian officials announced Supreme Leader Ali Khamenei extended the Expediency Council's deadline to review the bills necessary to complete the agreed-upon action plan. The FATF debate has pitted Iran's hardliners, who reject integration with the global financial system and adoption of transparency efforts, against moderate political groups and private sector interests. Hardliners, including Supreme Leader-affiliated Expediency Council members, have dismissed the benefits implementation of international standards could provide. Subsequently, no further action has been taken by the Expediency Council, and following the June 2021 elections, hardliners are firmly in control of all three branches of Iran's government.

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

Iran's merchant community makes active use of hawaladars and moneylenders. Leveraging the worldwide hawala network, Iranians make money transfers globally. Counter-valuation in hawala transactions is often accomplished via trade; trade-based ML is prevalent.

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 United States designated Iran's IRGC as a foreign terrorist organization.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Iran has criminalized ML and has adopted customer due diligence and suspicious transaction reporting requirements. Iran has a declaration system for the cross-border transportation of currency that requires Iranian Bank Melli, designated by the Treasury Department for its link to the IRGC-Qods Force, to take temporary custody of seized currency until it is cleared for passage in or out of Iran.

Iran is not a member of a FATF-style regional body but is an observer to the Eurasian Group on Combating Money Laundering and Financing of Terrorism.

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

The FATF issued its first public statement addressing Iran's lack of a comprehensive anti-money laundering/combating the financing of terrorism framework in 2007. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the ML/TF risks emanating from Iran. In 2016, the FATF suspended its call for countermeasures against Iran in response to a high-level political commitment from Iran's government to implement reforms outlined in a 10-step action plan. Iran failed to complete nine of its 10 action plan items by the January 2018 deadline. Most critically, Iran failed to ratify the United Nations' transnational organized crime and TF conventions. Supreme Leader Khamenei questioned Iran's joining the required international conventions on ML/TF, which many hardliners argued might limit Iran's ability to finance Hamas and Hizballah. After providing ample time for compliance, in February 2020 the FATF reimposed full countermeasures, calling on all jurisdictions to impose countermeasures such as requiring financial institutions to review, amend, or if necessary, terminate correspondent relationships with Iranian banks or limiting business relationships or financial transactions with Iran.

Iran's financial intelligence unit (FIU) is not a member of the Egmont Group of FIUs.

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

For more than two decades, the United States has undertaken targeted financial actions, including through statutes and more than a dozen Executive Orders, 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.

In 2018, the United States reimposed 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 (CBI), and other designated Iranian financial institutions. These include sanctions authorities with respect to certain transactions between foreign financial institutions and the CBI or designated Iranian financial institutions and on the provision of specialized financial messaging services to the CBI and specified Iranian financial institutions.

Since 2018, the Departments of the Treasury and State have used sanctions authorities to target hundreds of Iranian persons, including individuals and entities involved in activities in support of Iranian-sponsored terrorism, proliferation, and oil-related schemes.

## Italy

### OVERVIEW

According to the International Monetary Fund, in 2021 Italy's economy ranked eighth largest in the world and the third largest in the Eurozone. Italy has a sophisticated anti-money laundering (AML) regime and has made good progress in establishing the legal, regulatory, and operational frameworks called for by international standards. However, increasingly agile and complex organized criminal enterprises and a flourishing black-market economy pose significant risks to the financial system. According to the Italian National Statistics Institute report, the black-market accounted for 11.3 percent of GDP, or approximately \$235.5 billion (€203 billion), an increase of 2.68 percent over the previous year. 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, customer due diligence (CDD) and suspicious transaction reporting (STR) remain weak among non-financial sectors, and regulations and enforcement are inconsistent. Italy adopted laws implementing the Fifth European Union (EU) AML Directive with *decree no. 125/2019*. CDD provisions require firms to focus on non-face-to-face operations and impose additional procedures to confirm the identification of clients.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

An investigation started in June 2021 led to arrests and asset seizures valued at \$15.06 million (€13 million) in Bulgaria, Germany, and Italy for suspected money laundering, tax fraud, and drug trafficking. The scheme involves staging multiple transactions across several EU countries to artificially inflate the value of ultra-luxury automobiles to falsify value added tax reimbursement claims.

The ongoing COVID health emergency continued to expose the health care and financial systems and small and medium enterprises to the risks of predatory lending and infiltration by criminal organizations.

Drug trafficking continues to be a primary source of income for Italy's organized crime groups, which exploit Italy's strategic location on busy maritime routes to facilitate links with criminal organizations around the globe. The 'Ndrangheta, Italy's richest mafia, is believed to control up to 80 percent of cocaine trafficked into Europe. Other major sources of laundered money are proceeds from the smuggling and sale of counterfeit goods, extortion, and waste trafficking.

Law enforcement investigations have identified an increasing use of trade-based money laundering schemes and cryptocurrencies to disguise illicit proceeds and payments through legitimate trade transactions. Additionally, the arrest of over 100 Italian organized crime associates in September 2021 highlighted the increasing employment of cybercrime techniques to extort and steal income for the mafia.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

The Ministry of Economy and Finance (MEF) is host to the Financial Security Committee, which establishes policy regarding financial transactions and AML efforts. The committee last updated Italy's national risk assessment (NRA) in 2019. The Bank of Italy continues to issue guidance on CDD measures to support banks and financial intermediaries.

In response to the continuing challenges of money laundering, the Italian government enacted *decree no. 125/2019* which clarifies virtual currency treatment under AML statutes, further empowers law enforcement authorities investigating money laundering, and imposes additional CDD obligations on financial intermediaries.

Italy has a mutual legal assistance treaty with the United States.

Italy's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Italy is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-italy-2016.html>.

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

Italy's legislative framework is in line with the EU's Fifth AML directive. Italy's centralized national bank account database now links to a new registry of owners (and beneficiaries) of firms, trusts, and legal contracts. The MEF encourages regulatory authorities for each of the designated non-financial businesses and professions (DNFBPs) to conduct seminars, workshops, and other forms of outreach to encourage more STRs from DNFBPs. Nonetheless, the number of STRs from DNFBPs peaked at 12,894 in 2019 before declining to 10,583 in 2020. Italy has addressed previously noted deficiencies regarding enhanced CDD for domestic politically exposed persons.

Italy has made progress addressing noted deficiencies, including applying a risk-based approach, reporting of suspicious transactions, and regulation and supervision of financial institutions.

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

The Financial Investigative Unit (UIF), Italy's FIU, is the government's main body for collecting and analyzing STRs, which are circulated to specialized law enforcement agencies (Guardia di Finanza and the Anti-Mafia Investigative Directorate). In 2019, the UIF expanded the use of its information-sharing database, which allows more fluid and automated information exchanges with judicial authorities and rapid access to underlying transaction data.

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. Confiscation of assets and proceeds is a fully integrated policy objective as a strategic action to counter money laundering offenses.

## Jamaica

### OVERVIEW

Money laundering in Jamaica is largely perpetrated by organized criminal groups, including some with links to powerful Jamaicans and influential players in some unregulated sectors. In 2020, the country recorded many 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 to investigate and prosecute these 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. Many 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. More recently, perpetrators have used digital currencies to transfer both licit and illicit funds.

### KEY ANTI-MONEY LAUNDERING (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 Jamaican parliament's approval of regulations for *POCA* in November 2019. Under the *POCA* several designated non-financial businesses and professions, such as real estate agents, accountants, attorneys, and casinos, are subject to anti-money laundering/combating the financing of terrorism (AML/CFT) preventative measures. In 2021, the *POCA* was amended to include microfinance institutions as covered entities.

The *POCA* permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. 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 Jamaica's financial intelligence unit (FIU), continues to work with partners in the Jamaica Constabulary Force (JCF), the Office of the Director of Public Prosecutions, and others to pursue cases that could result in asset recovery.



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.

Jamaica's FIU is a member of the Egmont Group of FIUs. Jamaica is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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.

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 but still pursue the asset recovery process.

To date, the regulatory agencies have not used their enforcement authority to sanction reporting entities for identified violations of AML/CFT regulations. AML prosecutions could increase with enhanced legislation on unexplained wealth or illicit enrichment.

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

Jamaica is currently pursuing several legislative reforms to address noted deficiencies and, in 2021, completed a national risk assessment with donor support. Financial institutions (including money remitters and exchanges) are subject to a range of preventative measures. These entities file an inordinately high volume of suspicious transaction reports annually, the vast majority of which are likely defensive filings.

As of October 2021, 32 persons have been charged with over 230 counts of money laundering offenses, a 28 percent increase when compared to the 25 charged during 2020. Jamaica continues to extradite lottery scammers who deprive mostly elderly U.S. citizens of their savings and then launder the proceeds through real estate and used-car purchases.

From January to October 2021, there have been 28 prosecutions and two convictions. In 2020, a senior public servant working for a municipality corporation (Parish Council), as well as four of his friends and family members were convicted of defrauding the government of over \$2.6 million. FID is also pursuing nearly \$194,000 in a case where a local bank employee pled guilty to a fraud scheme in April 2021.

Relevant authorities collaborate on investigations and prosecutions in major cases. In May 2021, FID signed a memorandum of understanding with the JCF and credit bureaus to increase information sharing and provide forensic and legal assistance with financial crimes. Authorities also regularly collaborate with foreign law enforcement on cases of mutual interest.

## **Kazakhstan**

### **OVERVIEW**

Tax evasion, the shadow economy, corruption, Ponzi schemes, cybercrime, and drug trafficking are the main sources of illicit proceeds criminals seek to launder.

In 2021, Kazakhstan updated its national risk assessment (NRA) and adopted new regulations to its anti-money laundering/combating the financing of terrorism (AML/CFT) law. Through public pronouncements and amendments to the law, Kazakhstan is taking steps to comply with international AML/CFT norms.

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

In 2021, the financial intelligence unit (FIU) updated its NRA and adopted an action plan for 2021-2023. The NRA identifies tax evasion, illicit economic activity, corruption, embezzlement, and illicit drugs as the major sources of laundered proceeds.

Smuggling contraband and fraudulent invoicing of imports and exports remain common, especially between Kazakhstan and China. Money gained through the illegal sale of oil or oil products and illicit gambling is usually laundered through real estate purchases.

Kazakhstan has the most developed banking system in Central Asia, making it attractive to those in the region seeking to launder funds. Criminals, in particular from Eastern Europe, use shell companies to launder embezzled funds and transfer money overseas. A significant part of Kazakhstan's mineral wealth is in offshore accounts with little public scrutiny or accounting oversight.

Kazakhstan is a transit country for Afghan heroin to Europe and Russia, making it vulnerable to drug-related money laundering, although the flow of drugs on this route appears to be declining. Tracking narcotics revenue is difficult, since traffickers use informal remittance systems, such as hawala, online wallet electronic payment systems, and cryptocurrencies.

There is one legal cryptocurrency exchange in Kazakhstan, but there are many illegal exchanges. Significant growth in cryptocurrency mining in Kazakhstan in 2021 heightens the risk for illicit use of cryptocurrencies.

Kazakhstan's Astana International Financial Centre (AIFC) is designed to be a regional financial hub and offshore zone that offers financial services. As of December 2021, the AIFC currently comprises 1,120 firms from over 60 countries. The Astana Financial Services Authority

supervises the AIFC, and a common law AIFC court system, outside of the Government of Kazakhstan's jurisdiction, handles matters for which AIFC has issued regulations. The AIFC court system uses Kazakhstani enforcement systems to back up its rulings. The AIFC court delivered 19 judgements and orders in 2021. This AIFC enforcement mechanism appears to have worked as intended, but it remains untested in high-value, complex, or vigorously contested cases. Kazakhstan has 13 Special Economic Zones. None have been linked to money laundering.

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.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In 2021, the FIU adopted AML/CFT regulations that introduce internal controls for non-financial institutions to monitor compliance by legal consultants, accountants, and realtors; updated criteria for suspicious transactions; and revised rules for information exchange between law enforcement and the FIU. Kazakhstan also introduced a new requirement for civil servants and their spouses to declare all sources of income. The same requirement will be extended to employees of state-owned companies in 2023, and to all Kazakhstani citizens in 2025.

Additionally, in November 2021, Kazakhstan's parliament passed a law to require companies dealing with digital assets or providing crypto trading services to comply with national AML/CFT regulations. Such companies would have to notify the Ministry of Digital Development, Innovation and Aerospace Industry when they launch or cease their services. Kazakhstan's president has not yet signed the document into law.

Kazakhstan and the United States have a bilateral mutual legal assistance treaty.

Kazakhstan's FIU is a member of the Egmont Group of FIUs. Kazakhstan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent Mutual Evaluation recommendations can be found at:

[http://www.eurasiangroup.org/files/Mutual%20Evaluation/FR\\_2016\\_2\\_rev\\_1\\_eng.pdf](http://www.eurasiangroup.org/files/Mutual%20Evaluation/FR_2016_2_rev_1_eng.pdf).

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

The 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. Enhanced due diligence is required only for foreign politically exposed persons (PEPs); the AML/CFT law does not cover domestic PEPs.

Regulatory agencies are responsible for inspecting their respective reporting entities subject to the AML/CFT law; however, most agencies lack the resources and expertise to conduct compliance inspections, and, because of cost, most reporting entities (except banks) do not implement a risk-based approach.

There are no criminal or administrative liabilities for money laundering offenses for legal persons. There is no registry of beneficial owners of legal entities.

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

There were two convictions for money laundering in the first nine months of 2021, compared to none in 2020.

Kazakhstan is working on recovering proceeds of money laundering that are frozen overseas jointly with the Stolen Assets Recovery initiative.

There is a two-tier AML/CFT certification program for private sector representatives that includes both national and international certification. Kazakhstan's National Bank, the Association of Financiers of Kazakhstan, and the FIU accredit at the national level. Most Kazakhstani banks have at least one compliance specialist certified internationally.

## **Kenya**

### **OVERVIEW**

Kenya is vulnerable to money laundering, financial fraud, and terrorism financing, and it appeared to take a step backward in the past year. Kenya is the financial hub of East Africa, and mobile banking far surpasses cash transactions in the formal economy. Money laundering occurs in the formal and informal sectors, deriving from both domestic and foreign criminal operations, including transnational organized crime; cybercrime; corruption; trafficking of drugs, illegal timber, charcoal, and wildlife; smuggling and trade-based money laundering (TBML); and counterfeit goods. Kenya's enforcement regimes are legally sound, but authorities lack the resources, and perhaps the will, to enforce them with vigor. In October 2021, President Kenyatta ordered the lifting of the large cash transaction reporting requirement.

### **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 refugee and ethnic Somali residents, primarily use hawaladars to transmit remittances internationally. Diaspora remittances to Kenya totaled \$2.71 billion between January and September 2021. Designated non-financial businesses and professions (DNFPBs) are likely vehicles for money laundering that is beyond the current capacity of the host government to address.

Banking systems, wire services, and mobile money platforms are widely available in Kenya. The country's digital financial services are vulnerable to money laundering. Mobile

moneylenders are not closely regulated despite widespread use of mobile lending applications. Safaricom's *M-Pesa* system's two banking products, *M-Shwari* and *KCB M-Pesa*, have over 30 million unique customers between them.

Kenya is a transit hub for both east and central Africa used by international traffickers of narcotics, persons, weapons, wildlife, timber, charcoal, and minerals. TBML continues to be a problem. Kenya's proximity to Somalia makes it an attractive destination for funds from unregulated Somali sectors, including the khat and charcoal trades. Goods reported at points of entry as transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are sold in Kenya. Trade is often used to offset transactions in regional hawala networks.

### **KEY ANTI-MONEY LAUNDERING (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 financial intelligence unit (FIU), are subject to customer due diligence and suspicious transaction reporting (STR) rules and enhanced due diligence procedures are in place for politically exposed persons.

The Central Bank of Kenya (CBK) follows a risk-based AML/CFT regulatory framework. Prior to 2020, the CBK required commercial banks to record and report all transactions above approximately \$10,000 (1.1 million Kenyan shillings). However, in October 2021, President Kenyatta ordered the lifting of the reporting requirement. Kenya currently has no individual reporting requirement in place for large cash transactions, although banks must report large transactions to the Financial Reporting Center (FRC). STRs are scanned and sent to the FRC via email.

The United States and Kenya do not have a bilateral mutual legal assistance treaty. 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 East and Southern African Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: [https://www.esaamlg.org/index.php/Countries/readmore\\_members/Kenya](https://www.esaamlg.org/index.php/Countries/readmore_members/Kenya).

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

The Government of Kenya is not well-equipped or trained to combat increasingly complex cyber tools for money laundering, including virtual currency.

Kenya does not recognize virtual currency as legal tender, so AML requirements have not addressed digital asset risks. CBK cautions banks and the public not to engage in digital asset trades, but authorities have not developed a framework to address digital asset threats. Tracking and investigating suspicious transactions within the mobile money sector remains challenging. Poor oversight and enforcement in this sector increase the risk of abuse.

The *POCAMLA* does not cover lawyers, notaries, and other independent legal professionals.

Although beneficial ownership provisions have been in place since 2020, they have been insufficiently implemented. Kenya's Business Registration Service has repeatedly extended deadlines this year for companies to submit disclosures, but the compliance rate remains insufficient.

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, which leads to account holders being tipped off and relocating their assets.

Kenya needs to strengthen implementation of good governance and anticorruption measures and improve its AML/CFT regime. Bureaucratic, logistical, and capacity impediments hinder the investigation and prosecution of financial crimes.

Kenya's FIU is not a member of the Egmont Group of FIUs as the FIU is not currently operational. The Financial Reporting Centre (FRC) was established by the *POCAMLA* as a substitute until the FIU becomes operational.

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

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission (EACC) before opening a foreign bank account. EACC and Kenya's Assets Recovery Agency (ARA) have had some success in recent years with corruption investigations leading to successful prosecutions and asset seizures, but ARA requires technological support and training to grapple with more complicated money laundering operations.

## **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 2021, known remittances from migrant workers comprised roughly 31 percent of GDP. A significant portion of remittances enters the Kyrgyz Republic through informal channels or is hand-carried from abroad. The United States does not maintain correspondent bank accounts for Kyrgyz banks. The Kyrgyz Republic continues to progress on improving compliance with anti-money laundering/combatting the financing of terrorism (AML/CFT) international standards, but internal political challenges slow down the process.

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

Absent exact figures, it appears that narcotics trafficking is a major income source for organized

crime. The country sits along the northern transit route from Afghanistan to Russia and beyond, particularly to Europe. Due to its membership in the Eurasian Economic Union, smuggled narcotics could in theory travel from the Kyrgyz Republic to the Polish border without undergoing a customs check, although in practice several countries maintain checkpoints. The smuggling of consumer goods, tax and tariff evasion, and official corruption continue to serve as major sources of criminal proceeds.

Money laundering occurs through trade-based fraud, bulk-cash couriers, and informal and unregulated value transfer systems. Weak political will, resource constraints, inefficient financial systems, competition for resources among state agencies tackling money laundering, and corruption hinder efforts to effectively combat money laundering.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Kyrgyz Republic has an AML law with comprehensive customer due diligence and suspicious transaction reporting requirements, including financial and non-financial categories, and beneficial ownership. The AML law also requires due diligence for politically exposed persons (PEPs), including foreign citizens, Kyrgyz citizens, and members of international organizations. Current Kyrgyz legislation includes criminal corporate liability, criminal responsibility for illicit enrichment, and plea bargaining, but ongoing criminal justice reform may change these provisions.

In 2021, the State Financial Intelligence Service (SFIS), the financial intelligence unit (FIU) under the Cabinet of Ministers, signed a unified agreement with Commonwealth of Independent States countries on combatting AML, which awaits parliamentary approval.

In 2020, the government established an adequate legal framework for identifying, tracing, and freezing terrorist assets and instituted adequate measures for the confiscation of funds related to money laundering. While the asset confiscation framework is expansive in addressing the shortcomings identified by international experts, the Kyrgyz Republic has until 2024 to implement any changes.

In 2021, due to governmental structural changes and the new constitution, the SFIS was given the mandate to analyze transactions related to predicate crimes along with money laundering and terrorism financing. In 2021, SFIS introduced new informational systems: beneficial owners of legal entities; sanction lists of participants in terrorist/extremist activities; national PEPs, including family members and close associates; a list of individuals, organizations, and groups suspected of participation in money laundering activity; a database on financial targeted sanctions; and an accounting system for international requests on money laundering and predicate crimes (not implemented yet). The Kyrgyz Republic passed changes to the non-governmental organization law requiring additional financial reporting and excepting religious entities. It also added a virtual assets and mining tax to the tax code.

The Kyrgyz Republic and the United States do not have a bilateral mutual legal assistance treaty. The Kyrgyz Republic lacks information sharing mechanisms on money laundering with the United States, but both parties are signatories to multilateral legal instruments that can be used to

facilitate cooperation.

The FIU is a member of the Egmont Group of FIUs. The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/j-m/kyrgyzstan/documents/mer-kyrgyzstan-2018.html>.

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

Despite the legislative changes, significant gaps still exist in enforcement and implementation. The main responsible state agency is the SFIS, which is not an investigative agency and therefore lacks cooperation and information sharing with other law enforcement agencies. The main investigative agency for economic crimes, the Financial Police, has been dissolved. Investigation of economic crimes is now divided between the Prosecutor General's Office and the State Committee on National Security.

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

The Kyrgyz Republic continues to bring internal legislation into compliance with international standards and United Nations conventions. From January to September 2021, SFIS sent 37 financial investigative requests on money laundering and on terrorist financing to relevant U.S. law enforcement bodies. Sixteen criminal cases have been opened and over \$900,000 has been returned/confiscated to the state budget, but no data is available on convictions. Although the Kyrgyz Republic tries to strengthen AML/CFT legislation, law enforcement capacity remains weak. Additionally, interagency cooperation is poor and law enforcement struggles to communicate effectively.

## **Laos**

### **OVERVIEW**

Laos, a cash-based economy with limited capacity in the legal, regulatory, and law enforcement sectors, remains vulnerable to criminal networks. With support from a small number of donors and technical assistance providers, Laos seeks to address gaps in its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. The Government of Laos needs to make significant progress in operational effectiveness.

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

Laos shares over 3,100 miles of border with five other countries. The borders of Laos are notoriously porous, and the country is a key trafficking route for transnational criminal organizations involved in gaming and drug, human, and wildlife trafficking. Corruption also presents significant vulnerabilities for Laos' AML regime. Laos completed a national risk assessment (NRA) in 2018, which identified seven areas of significant vulnerability for Laos' AML regime: production and trafficking of narcotics, check counterfeiting or use of illegal



checks and bonds, environmental crime, theft, currency counterfeiting or use of counterfeit currency, document forgery or use of forged documents, and fraud.

Although gaming is illegal for Lao nationals, nine casinos operating in special economic zones serve foreigners visiting Laos. According to the Anti-Money Laundering Intelligence Office (AMLIO), Laos' financial intelligence unit (FIU), Laos completed the drafting of a *Decree on Casino Operations* to provide for supervision of casinos and gaming; the decree is awaiting the prime minister's approval. Until this decree is passed and implemented, casinos pose a significant risk as government supervision appears to be minimal. Online gaming exists but is not licensed or supervised, and there are no enforcement mechanisms.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Laos issued its AML/CFT law in 2015 and revised its penal code in 2017 to include a new money laundering offense. Since then, the government established the National Coordination Committee on AML/CFT (NCC) to oversee AML/CFT implementation. With support from donors, the NCC issued more than 38 regulations designed to support implementation of the AML/CFT law, including regulations concerning wire transfers, onsite supervisory examinations, and suspicious transaction reporting (STR) requirements.

Laos does not have an extradition or mutual legal assistance treaty with the United States, though Laos is a party to several multilateral conventions that permit international cooperation. In 2021, AMLIO signed memoranda of understanding (MOUs) with three additional countries: Australia, India, and Bhutan, giving Laos 17 MOUs with overseas jurisdictions to regularly exchange information related to individual and corporate accounts under investigation. AMLIO hopes to become a member of the Egmont Group of FIUs and is receiving technical assistance to meet the standards for membership.

Laos is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/jm/laopeoplesdemocraticrepublic/documents/mutualevaluationoflaopeoplesdemocraticrepublic.html>.

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

Laos has established the necessary legal framework and an FIU, however enforcement of Laos' AML/CFT laws remains a challenge. Awareness and capacity building among state-owned commercial banks, which have the largest market share in Laos, is improving their capabilities. Most of the STRs submitted to the FIU are from commercial banks operating in Laos.

Money or value transfer service (MVTs) providers continue to warrant scrutiny. The Lao government reported it amended and issued the *Instruction on MVTs report, No. 22/FISD* in 2018. In addition, the Bank of the Lao PDR issued the *Agreement on Payment Service No. 288/BOL* on March 17, 2020, and established the Payment System department to oversee payment systems to ensure efficient monitoring and risk management of payment operations.

The documents provide updated MVTS frameworks and guidance, however, implementation is not complete.

Supervisory agencies have not issued a CDD regulation or guideline addressing the responsibilities of DNFBPs, such as casinos. The Treasury-designated Kings Romans Casino in the Golden Triangle Special Economic Zone is especially concerning due to links to transnational organized crime.

Additional challenges include the lack of an anti-proliferation financing law and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed.

Laos has limited asset forfeiture options. There are several legal provisions that allow for asset seizure; however, they are primarily focused on the direct benefit or asset from the predicate offense. For example, if a drug trafficker is caught in a vehicle, authorities could seize the vehicle as part of the enforcement action but would not go beyond that action. Laos cannot forfeit property with corresponding value. Additionally, Laos does not have non-conviction-based forfeiture provisions.

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

The routine conduct of financial investigations parallel to those of the predicate crime does not happen. AMLIO reported 15 criminal cases of money laundering were successfully prosecuted between 2018-2020.

While there appears to be a broad agreement among ministries to maintain the AML/CFT progress that Laos has made, domestic cooperation among agencies such as AMLIO, the Customs Department, the Ministry of Public Security (police), and the Government Inspection Agency could be improved. International cooperation on AML/CFT and asset forfeiture also requires improvement.

AMLIO is taking steps to enhance awareness of AML/CFT requirements, including by holding regular workshops on AML/CFT with reporting entities.

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 is making efforts to strengthen its anti-money laundering (AML) regime but lacks both the political will and resources necessary to adequately address the significant challenges. The Central Bank of Liberia (CBL) does not robustly enforce AML requirements, largely due to funding constraints. Interagency coordination has improved, but

despite increases in financial intelligence reports, authorities generally have not conducted systematic financial investigations or secured financial crimes convictions, despite Liberia being considered as high risk for money laundering. Financial institutions have limited capacity to detect money laundering, and their financial controls remain weak. Liberia's financial intelligence unit (FIU) remains under-funded and continues to face budget cuts and political interference. The FIU also lacks the equipment 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.

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

Smuggled goods enter Liberia through numerous crossing points. 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. Liberia suffers from the presence of numerous unlicensed foreign exchange sites and unregulated entities with opaque activities. Some money exchange entities facilitate what appear to be unregulated or unlicensed money transfers and serve as alternative remittance channels. Artisanal diamond and gold mines are largely unregulated and difficult to monitor.

The National Lottery Authority exercises limited oversight of the country's lotteries and two registered casinos but is not capable of regulating the gaming industry.

Historically and to the present, the use of Liberia for registering international ships supports trade-based money laundering efforts. Ships register in Liberia to save on international regulatory guidelines, including (primarily) labor regulations. Additionally, sanctioned nations often use Liberia to hide the ultimate beneficial ownership of their ships.

### **KEY ANTI-MONEY LAUNDERING (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*. Liberian President George Weah submitted a bill titled the *Anti-Money Laundering, Terrorist Financing, Preventive Measures and Proceeds of Crime Act 2021* to the Legislature in July 2021. If passed into law, the act would create the Financial Intelligence Agency to replace the existing FIU and empower the agency to institute preventive measures in line with international best practices.

In September 2021, the FIU released its first national risk assessment report on money laundering and terrorist financing (ML/TF). The report rated Liberia's overall money laundering threat as high while concluding the threat of terrorist financing is low.

Liberia and the United States have a bilateral extradition treaty. They do not have a mutual legal assistance treaty, but Liberia is a party to several multilateral conventions that permit international law enforcement cooperation.

Liberia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Liberia's most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/#Liberia>.

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

Key challenges include limited capacity to enforce regulations, investigate financial crimes and illicit financial flows, and conduct prosecutions and asset recovery. Since January 2021, the FIU received 72 suspicious transaction reports, yet there were no prosecutions for money laundering during 2021.

International donors supported the government's efforts to improve the operational effectiveness of the FIU. Lack of political support for the FIU, including follow through on its investigations, have discouraged some donors from continuing such support. International partners assisted the CBL to expand onsite examination of financial institutions and mentored enforcement authorities to develop financial crime cases. Presently, no major international donor supports the FIU; the Liberian government is the only source of funding. The FIU has applied for membership in the Egmont Group of FIUs.

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

The CBL conducts AML/CFT inspections of commercial banks, as well as offsite supervision of commercial banks' implementation of customer due diligence guidelines. The CBL enhanced supervision of financial institutions by conducting onsite examinations using different risk management tools. However, it has limited technical capacity to monitor and enforce compliance, particularly with non-bank financial actors. In 2021, the CBL increased the frequency and improved the quality of monitoring and surveillance to ensure financial institutions adhere to ML/TF laws.

The FIU shares its intelligence with other agencies, such as the Liberia Revenue Authority, the Liberia National Police, and the Liberia Immigration Service. The African Development Bank has provided technical support to enhance the FIU's IT infrastructure.

The Liberia National Police, Liberia Drug Enforcement Agency, and National Security Agency can investigate financial crimes but are not effective in pursuing investigations and prosecutions. Money laundering investigations are hampered by limited capacity, political interference, corruption, lack of financial transparency, inadequate record-keeping, and weak judicial institutions.

In 2021, the FIU and the GIABA conducted two public stakeholder-engagement workshops.

## Macau

### OVERVIEW

Macau, a Special Administrative Region of the People's Republic of China, is not a significant regional financial center. Its financial system, which mostly services a local population, includes offshore financial businesses such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to supervisory requirements like those of domestic institutions and to oversight by the Monetary Authority of Macau. *Law No. 15/2018*, stipulates that from January 2021 the offshore regime will be permanently terminated. The COVID-19 pandemic has restricted the flow of visitors from mainland China to Macau, which has almost certainly reduced some opportunities for money laundering.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Macau's gaming-centric economy has been devastated by the COVID-19 pandemic, with gaming revenue collapsing by roughly 80 percent in 2020. However, money laundering vulnerabilities remain as the city's oversight of casinos is limited. The gaming sector relies heavily on junket operators, i.e., middlemen who are responsible for the supply of wealthy gamers, who are mostly from mainland China, and for extending credit to gamers and collecting debts. 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 in mainland China, where gaming is illegal. In November 2021, Macau authorities arrested a prominent junket mogul as part of a broader crackdown on junket operators in the city. In December, Macau's major casinos began to sever ties with junket operators, which has put into doubt the future of the junket business and the illicit activities it often facilitates.

Asian organized crime groups also are active in the gaming services and are involved in illegal activities such as drug trafficking. This mingling of licit and illicit activities, together with the anonymity gained through using a junket operator in the transfer and commingling of funds, combined with the absence of currency and exchange controls, present opportunities for money laundering.

In October 2021, the Financial Intelligence Office (GIF), Macau's financial intelligence unit (FIU), released data on suspicious transaction reports (STRs) for the first three quarters of the year. 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 transshipment point and an end destination for such funds.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

Macau authorities continue their efforts to develop an anti-money laundering/combating the financing of terrorism (AML/CFT) framework that meets international standards. Macau has an interagency AML/CFT working group, which coordinates responses to identified risks. Macau's legislation imposes AML/CFT requirements on financial institutions and designated non-financial businesses and professions, includes customer due diligence (CDD) measures to

identify and verify the identity of beneficial owners, and enables authorities to freeze and seize assets.

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. Gaming supervisors have taken a more stringent approach toward the licensing and supervision of junket promoters, which are subject to enforceable AML requirements. The number of licensed junket promoters continues to decrease, falling from 235 in 2013 to 95 in 2020. Travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately \$15,000 or more are required by law to sign and submit a declaration form to the Macau Customs Service.

The GIF is a member of the Egmont Group of FIUs, and Macau is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=fded343f-c299-4409-9cfc-0a97d89b6485>.

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

Gaming entities are subject to threshold reporting for transactions over approximately \$62,500 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.

The evidentiary hurdles in proving money laundering crimes for funds laundered through third party platforms is an obstacle to establishing guilt, and results in a limited number of prosecutions and convictions.

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

The Macau government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by requiring junket operators to develop and strengthen their AML/CFT controls and compliance programs. Macau should strengthen its ability to support international AML/CFT investigations and recovery of assets by conducting stricter CDD compliance, including background checks on junket operators, and assessing the effectiveness of junket operators' internal AML/CFT controls. Issues to consider include whether junket operators have an established code of conduct, a stated ethical standard, and whistleblower protection. There are signs the Macau government is starting to take AML cases more seriously. In 2019, Macau prosecuted over 20 percent of filed AML cases (10 out of 48), a significant improvement from its historical prosecutorial rate of 1 to 5 percent.

In 2020, the gaming sector accounted for 56 percent of filed STRs. A total of 25 reports involving possible money laundering offenses were sent to the Public Prosecutions Office, and charges were put forward in 11 cases.

The *1988 United Nations (UN) Drug Convention* was extended to Macau in 1999, the *UN Convention against Transnational Organized Crime* was extended in 2003, and the *UN*

*Convention against Corruption* was extended in 2006.

## Malaysia

### OVERVIEW

Malaysia is a highly open, upper middle-income economy with exposure to a range of money laundering threats. The country's porous land and sea borders, visa-free entry policy for nationals from over 160 countries, strategic geographic position, and well-developed financial system increase its vulnerability to domestic and transnational criminal activity, including fraud, corruption, drug trafficking, wildlife trafficking, smuggling, tax crimes, and terrorism finance.

Recently, the Government of Malaysia discovered many high officials having funds invested in offshore banking systems. The transactions are raising questions of integrity and accountability.

Malaysia has largely up-to-date anti-money laundering/combating the financing of terrorism (AML/CFT) laws and policies and effective monitoring and enforcement capabilities. The country continues to demonstrate progress toward improving AML enforcement by investigating and prosecuting money laundering cases, including ongoing cooperation with the U.S. Justice Department that led to the repatriation of an additional \$452 million in misappropriated 1Malaysia Development Berhad (1MDB) funds to the people of Malaysia on August 5, 2021. To date, a total of \$1.2 billion has been repatriated by the United States to Malaysia related to the 1MDB scandal.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Malaysia has a highly open economy and is used as a transit country to move drugs globally. Drug trafficking by Chinese, Iranian, and Nigerian organizations is a significant source of illegal proceeds. Malaysia is also a source, destination, and transit country for wildlife trafficking, serving as a nexus for illegal wildlife products destined for China, Vietnam, and other countries, with some contraband (e.g., ivory) used as currency by trafficking networks.

Terrorist financing methods include cash couriers, funds skimmed from charities, wire remittances, informal value transfer systems, gold and gem smuggling, and front companies and businesses. Illicit proceeds are also generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, smuggling, and extortion.

The cash and informal economies and unauthorized money services business (MSBs) continue to pose significant vulnerabilities.

Malaysia has an offshore financial sector on the island of Labuan, which is subject to the same AML/CFT laws as onshore. The Labuan International Business and Financial Center (LIBFC) is home to over 6,000 companies operating in insurance, banking, fintech, trade, and related sectors. According to the *Labuan IBFC Market Report 2020*, LIBFC currently has more than 800 licensed, operating financial institutions. Offshore companies must be established through a

trust. The Labuan Financial Services Authority, established in 1996 under the *Labuan Financial Services Authority Act*, administers the LIBFC. Despite the pandemic and challenging economic uncertainties, Labuan continues to draw interest from international prospects ranging from conventional banking and insurance licensees to digital financial services and captives.

Malaysia maintains 12 free commercial zones and 13 free industrial zones and launched a digital free trade zone with China in 2017.

The Ministry of Finance licenses and regulates the activity of casinos. Bank Negara Malaysia (BNM), Malaysia's central bank, periodically assesses Malaysia's sole licensed casino for AML compliance.

Malaysia's national risk assessment includes the Islamic financial sector, which is prominent in Malaysia and subject to the same AML/CFT legal and regulatory regime as the conventional financial sector. Malaysia completed its most recent assessment in 2020, which received endorsement in July 2021 and showed no change from the 2017 assessment.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Malaysia passed the *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLA)* in 2001 and has comprehensive customer due diligence and suspicious transaction reporting regulations. BNM's *Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions, Designated Non-Financial Businesses and Professions and Non-Bank Financial Institutions* entered into force on January 1, 2020.

Malaysia's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Malaysia is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Malaysia's most recent mutual evaluation report is available here: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Malaysia-2015.pdf>.

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

Malaysia is largely compliant with the technical obligations of the AML/CFT international standards. Malaysia should continue its efforts to target effectively high-risk offenses and foreign-sourced crimes. Malaysia has a national action plan focusing on these areas.

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 the Government of Malaysia and law enforcement.

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

BNM introduced the Malaysian Financial Intelligence Network as an information-sharing platform between the public and private sectors to enhance the latter's ability to detect suspicious



behavior and transactions relating to serious crimes, such as corruption, proliferation financing, and money laundering.

The government, with foreign assistance, has taken action to prosecute several former government officials involved in misappropriations from the state-owned development fund 1MDB.

In 2020, Malaysia prosecuted 50 cases under *AMLA*. This includes drug-related cases as well as fraud, corruption, and other crimes. In 2020, BNM imposed cease and desist orders against eight illegal MSB operators and pursued criminal investigations against 10 others. BNM also secured six convictions related to illegal MSB operations, deposit taking, and money laundering, resulting in fines totaling \$312 million and jail terms for offenders.

## Mexico

### OVERVIEW

Illicit actors launder billions of dollars of drug trafficking proceeds through the Mexican financial system annually. Corruption, bulk cash smuggling, kidnapping, extortion, fuel theft, intellectual property rights violations, fraud, human smuggling, trafficking in persons, and firearms trafficking serve as sources of additional funds laundered through Mexico. Mexican authorities have had some success investigating and blocking accounts of suspected money launderers and other illicit actors but have shown limited progress in successfully prosecuting money laundering (ML) and other financial crimes. Two 2017 Mexican Supreme Court rulings continue to complicate Mexico's ability to counter illicit financial activities.

To increase the number of financial crime convictions, the government needs to combat corruption, improve investigative and prosecutorial capacity at the federal and state level, and enhance inter-institutional cooperation. Civil asset forfeiture legislation signed into law in 2019 promised to strengthen the authorities' ability to use asset forfeiture as a tool to combat organized crime, but the Mexican Supreme Court struck down key elements of the law in June 2021, which will hinder the Mexican Prosecutor General's Office's (FGR) ability to obtain forfeiture orders under the law.

Under the U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities, the United States and Mexico will deepen their partnership to counter money laundering through support for the investigation and prosecution of corrupt officials and other transnational criminals.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illicit drug proceeds originating in the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations (TCOs) launder funds using a variety of methods. Trade-based money laundering (TBML) involves the use of dollar-denominated illicit proceeds to purchase retail items for export to and re-sale in

Mexico or the United States, and then routing the revenue from the sale of such goods to TCOs. TBML also includes invoice manipulation to justify the transfer of large sums of funds into Mexico's financial system. A 2019 executive order strengthens penalties for fraudulent tax invoices, often associated with TBML.

Illicit actors in Mexico invest in financial and real assets. ML through the luxury real estate sector remains a concern, especially as a vehicle for laundering the proceeds of public corruption. Two popular ML methods include structuring deposits and funnel accounts. Asia-based money launderers continue to compete with traditional Mexican launderers, conducting "mirror transactions" more efficiently and at a lower cost. Narcotics-related proceeds are also laundered through unlicensed exchange houses, although Mexico's main banking regulator, the National Banking and Securities Commission (CNBV), issues regulations and has a special unit that curtailed the number of unlicensed exchange houses in operation.

Mexican authorities are evaluating the risks for criminal exploitation of financial technology, including virtual currencies like bitcoin.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Mexican anti-money laundering law criminalizes ML at the state and federal level. In addition, customer due diligence rules cover most financial sector entities, including financial technology institutions (FTIs). Mexico now regulates FTIs involved in electronic payments, exchanges of virtual assets, and virtual currencies. Critics argue the FTI law's secondary regulations liberalize the financial markets for FTIs too much, allowing for additional ML vulnerabilities.

The financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Mexico is a member of both the Financial Action Task Force (FATF) and the FATF of Latin America, a FATF-style regional body. Mexico's most recent mutual evaluation report is available at: [www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf).

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

In October 2017, the Mexican Supreme Court ruled Mexico's Financial Intelligence Unit's (UIF) freezing of accounts violates constitutional protections and due process rights. The UIF can still freeze accounts when presented with an international legal assistance request. A subsequent decision in November 2017 also curbed the FGR's ability to present financial records during court proceedings, ruling only records obtained by court order would be admissible. Subsequently, several cases were filed in Mexican federal court to unfreeze accounts and dismiss cases. Prosecutors and law enforcement authorities have struggled to investigate and prosecute financial crimes, and these rulings may result in additional case dismissals. Mexico has drafted legislation to address the due process concerns cited by the Supreme Court and fortify the UIF's authority to freeze accounts.

The Supreme Court struck down in 2021 key elements of the 2019 asset forfeiture law, including the provision allowing prosecutors to seek a forfeiture order independent of a criminal case.

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

Although authorities recognize the abuse of certain sectors by money launderers, law enforcement responses are limited by corruption and lack of capacity. The Counsel of the Federal Judiciary database reports nine ML convictions in 2018, 19 in 2019, and three in 2020. These low conviction levels demonstrate Mexico's limited ability to prosecute these crimes.

The 2019 civil asset forfeiture law broadens asset forfeiture's reach and enables prosecutors and law enforcement agencies to more aggressively seize illicit assets. To date, the FGR has filed 31 asset forfeiture complaints in six special asset forfeiture courts, all still pending final dispositions. There are additional asset forfeiture judges at the state level who are considering asset forfeiture cases throughout the country, but there is no reported asset forfeiture matter that has been resolved at the state or federal level under the 2019 law. The Supreme Court's 2021 ruling that weakened the law will delay and affect most of the pending actions.

## **Morocco**

### **OVERVIEW**

In 2021, Morocco strengthened its anti-money laundering/combating the financing of terrorism (AML/CFT) regime through new legislation, improved coordination, and capacity building. Vulnerabilities stem from the prevalence of cash-based transactions, geographic location, established trafficking networks, a high volume of remittances, and public corruption.

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

Morocco's informal cash-based economy constitutes approximately 11 percent of its GDP. The number of total jobs the informal sector creates is almost 30 percent of total jobs in Morocco. The number of individuals with at least one bank account increased by 4.5 percent year-on-year in 2020 to 14.1 million. The bank account ownership rate improved during 2020 to 53 percent, up 1 percent from 2019. Even bank account holders often prefer to conduct cash transactions.

Real estate, jewelry, and vehicle purchases are used to launder drug proceeds. Unregulated hawalas and bulk cash smugglers are also used to move illicit funds internationally.

Situated between Europe and Africa, Morocco is a conduit for smuggling, drug trafficking, human trafficking, and clandestine migration. Export of Moroccan-grown cannabis and cocaine trafficking from Latin America to Europe via Morocco both generate significant illicit profits. In June 2021, Morocco's parliament passed *Bill 13-21* to legalize the medicinal and industrial use of cannabis. Morocco's Ministry of the Interior, in cooperation with the United Nations Office on Drugs and Crime, reported that revenues from cannabis cultivation have decreased from about \$565 million (500 million euros) in the early 2000s to about \$367 million (325 million euros) to date.

Money transfer services create a vulnerability due to their high volume. At \$7.6 billion, Morocco's annual remittance transfers, most of which originate in Europe, registered a 4.5 percent increase from 2019, equal to more than 5 percent of GDP. Morocco's central bank expects this to grow steadily to 7.6 percent or \$8.1 billion in 2021. The Moroccan financial intelligence unit (FIU) requires transfer operators to collect identification information from senders and recipients.

Morocco's seven free trade zones (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 FIU has reported suspicions of money laundering activity through the Tangier FTZ.

International casinos with in-house accounts are a vehicle through which money may enter and exit Morocco without currency control restrictions. 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 FIU, but generally file no STRs.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In 2021, Morocco moved to strengthen its AML/CFT legislative and regulatory systems through the adoption of *Law 12-18*, amending and supplementing the penal code and *Law 43-05*. In addition, Morocco adopted implementing texts (including decrees related to targeted financial sanctions), created the National Financial Intelligence Regulatory Authority (ANRF), established a public register of beneficial ownership, and defined court districts that will specialize in AML crimes.

Morocco has a mutual legal assistance treaty with the United States but no extradition treaty. Morocco is party to several multilateral law enforcement conventions that permit mutual legal assistance with the United States, and assistance can also be requested based on reciprocity.

The FIU is a member of the Egmont Group of FIUs. Morocco is a member of the Middle East and North Africa Financial Action Task Force (FATF), a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/fr/pays/j-m/maroc/documents/mer-morocco-2019.html>.

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

Morocco lacks sanctions to counter proliferation finance, transparency and beneficial ownership of legal entities, and a declaration system for cross-border currency transportation reporting.

While the Moroccan criminal code criminalizes bribery, extortion, influence peddling, and abuse of office, anti-corruption laws are not enforced effectively by the government.

Following Morocco's 2021 review of its AML/CFT legislative and regulatory system, the government introduced amendments to: create sanctions for noncompliance; improve risk-based

supervision; enhance transparency of information; incorporate the FIU into the ANRF, giving it enhanced resources and powers; and establish a commission for targeted financial sanctions relating to terrorism, arms proliferation, and the financing of such activities.

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

In 2021, Morocco strengthened judicial cooperation by creating new computer applications for the presidency of the Public Ministry and the Ministry of Justice to improve international cooperation capacity.

Morocco also established an inter-ministerial commission and adopted a national action plan, coordinated by the ANRF and broken down into sectoral strategies, and issued guides, circulars, and directives for better compliance with AML/CFT regulations.

Morocco has increased the number of law enforcement assets dedicated to money laundering investigations. Morocco had only eight convictions for money laundering between 2008 and 2018. Following the policy shift, Morocco achieved 75 convictions between 2019 and September 2021. The cases prosecuted involved simple money laundering and integrating drug proceeds into buildings and businesses but do not include more complex cases involving professional money launderers or organized crime. Moroccan officials claim complex money laundering and organized crime do not exist in Morocco.

## **Mozambique**

### **OVERVIEW**

Money laundering (ML) in Mozambique is driven by misappropriation of state funds, kidnappings, terrorist financing (TF), and the trafficking of humans, narcotics, and wildlife. With a long, largely unpatrolled coastline, porous land borders, and limited rural law enforcement presence, Mozambique is a major corridor for illicit goods including 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.

In 2021, the Mozambican government continued working with international partners to fight corruption and implement its anti-money laundering/combating the financing of terrorism (AML/CFT) laws. The Maputo City Court (MCC) started the trial for 19 defendants, including the son of the former president and the former director of Mozambique's intelligence service, accused of profiting from \$2 billion of illicitly acquired state loans. It also sentenced the former minister of transportation for accepting bribes.

The Bank of Mozambique (BOM) froze a large commercial bank's operations while investigating allegations of currency manipulation and fined bank officials.

The government authorized its financial intelligence unit (FIU) (GIFIM – Portuguese acronym) to seek membership in the Egmont Group of FIUs (Egmont Group).

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

Chinese state-owned enterprises in Mozambique operate with little transparency, allowing off-the-books sales of timber to China and kickbacks to officials from overvalued infrastructure transactions. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal sector in most parts of the country. The frequent use of informal value transfer networks for cross border financial transactions remains a key area of concern. Given the lax control over mobile and electronic payments, mobile systems are increasingly used to facilitate illicit networks, including terrorists operating in northern Mozambique.

There are three free trade zones in Mozambique, but there is no evidence they are tied to ML.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

*Law 14/2013* and *Decree Regulation 66/2014* provide tools to combat ML/TF in Mozambique. Mozambique has customer due diligence provisions and suspicious transaction reporting requirements. Regulations also require enhanced due diligence for politically exposed persons. The BOM places AML obligations on local banks.

Mozambique's most recent update to its AML/CFT framework is the *Law on Credit Institutions and Financial Companies*, passed on December 31, 2020. This law strengthens the licensing, governance, and supervisory requirements for credit and financial institutions.

In September 2020, the BOM announced plans for a unique bank identification number (UBIN) to combat ML/TF by making it easier for the government to track accounts across multiple financial institutions. Implementation discussions between the BOM and commercial banks began in 2021, and the government expects the UBIN system to be operational in early 2022. The BOM reports it faced delays due in part to Covid and the project's technical complexity. However, the BOM did approve the UBIN implementing regulation and issued a public notice. The BOM is now waiting for the regulation to be published and is working with the banking sector to ensure a smooth implementation as soon as it is published.

The United States and Mozambique do not have a bilateral mutual legal assistance treaty or an extradition treaty. Mutual legal assistance can and does occur through multilateral law enforcement conventions with applicable provisions or based on domestic law.

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 continues to make steady progress in establishing a legal framework that supports

AML/CFT investigations, but implementing agencies need more robust human, financial, and technical resources to effectively investigate and prosecute ML and other financial crimes.

Mozambique does not collect and maintain beneficial ownership data.

GIFIM is not a member of the Egmont Group. On September 8, 2021, GIFIM received authorization from the Council of Ministers to join the group. GIFIM submitted its application and is completing the membership process.

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

Mozambique has made progress on two high-profile anticorruption cases. On August 23, 2021, the MCC began proceedings for the “hidden debts” case against 19 defendants accused of illicitly acquiring over \$2 billion in state-guaranteed loans. Separately, on September 13, 2021, the MCC issued 10-year prison sentences to former transport minister Paulo Zucula and an accomplice for accepting bribes during the purchase of two aircraft by the state-run airline. The BOM temporarily banned Standard Bank from foreign exchange transactions and imposed a \$4.6 million fine on June 30, 2021, for currency manipulation.

Mozambique is working closely with international partners to improve its AML/CFT laws and implementing regulations. It is a member of the Asset Recovery Inter-Agency Network for Southern Africa, which facilitates the identification, tracking, and seizure of criminal assets.

The U.S. Drug Enforcement Administration’s (DEA) resident office continues to work with Mozambican law enforcement partners. In May 2021, the DEA and Mozambique’s National Criminal Investigation Service signed a memorandum of understanding for a vetted unit that will conduct investigations related to drug trafficking and ML. Mozambique successfully extradited to the United States one high-level Pakistani drug trafficker and expelled a fugitive Brazilian drug kingpin. Significantly increased drug seizures in 2021 are largely due to greater intelligence sharing and capacity building aimed at disrupting and dismantling large scale drug trafficking organizations in Mozambique.

## **Netherlands**

### **OVERVIEW**

The Netherlands is a major trade and financial center and, consequently, an attractive venue for money laundering. The Netherlands is generally making progress addressing money laundering vulnerabilities.

Six islands in the Caribbean are part of the Kingdom of the Netherlands (the Kingdom): Bonaire, St. Eustatius, and Saba are special municipalities; and Aruba, Curacao, and Sint Maarten are countries. The Netherlands collaborates to ensure the independence of the courts and to combat cross-border crime and drug trafficking within the Kingdom. The law

enforcement memorandum of understanding between the four Kingdom countries and the United States for joint training and information sharing remains active.

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

Financial fraud, especially tax evasion, and drug trafficking generate significant domestic money laundering activity, and syndicate-type structures are involved in organized crime and money laundering. Law enforcement regularly launches money laundering investigations. Few border controls exist within the Schengen Area of the European Union (EU), although Dutch authorities run special operations in border areas with Germany and Belgium and in the Port of Rotterdam to minimize smuggling. Informal underground remittance systems operate in the Netherlands. Criminal networks increasingly operate online and use virtual currencies to facilitate illegal activity.

The Netherlands' flagship Port of Rotterdam, Europe's largest port, is exploited by narcotics traffickers and is vulnerable to trade-based money laundering (TBML). The National Police of the Netherlands cooperates closely with U.S. authorities to exchange information and conduct joint operations, including increasing interest in detecting and combatting TBML.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The Dutch anti-money laundering/combating the financing of terrorism (AML/CFT) regime has comprehensive customer due diligence and suspicious transaction reporting (STR) regulations, which apply to many actors in the financial sector. Every three years, the government commissions an external assessment of its AML/CFT policy.

In June 2019, the government presented a national action plan against money laundering. The *Implementation Act for the Fifth AML Directive* took effect in May 2020, extending the directive's requirements to crypto-service providers. In September 2020, two additional AML laws came into force. The first allows for direct digital access to certain bank data by investigation services. The second requires corporate and other legal entities to list their ultimate beneficial owners in a transparent register, operated by the Chamber of Commerce.

In 2021, Transaction Monitoring Netherlands (TMNL), an initiative with ABN AMRO, ING, Rabobank, Triodos, and Volksbank to analyze anonymous bank datasets to improve reporting to the Financial Intelligence Unit-Netherlands (FIU-NL), became operational.

Law enforcement cooperation between the Netherlands and the United States is good; the existing mutual legal assistance treaty allows for exchange of records in connection with narcotics and money laundering investigations. Dutch legal procedures for releasing evidence sometimes take longer when a court order is required, which can cause significant delays in producing evidence. The Ministry of Justice and Security has begun examining the bilateral asset forfeiture process to better balance evidence sharing, modeling it after the U.S. system.

The FIU-NL is a member of the Egmont Group of FIUs. The Netherlands is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available at:



<http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html>.

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

The Netherlands continues to address recognized deficiencies. No significant technical deficiencies in the regulatory regime have been identified. The magnitude of money laundering, however, remains a concern.

Generally, criminal drug trafficking and money laundering penalties in the Netherlands are low compared to the United States and neighboring European countries. Higher penalties, including significant imprisonment, could more effectively deter criminal activity.

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

The FIU-NL is an independent, autonomous entity under the Netherlands Police. Public-private information sharing partnerships include the Anti-Money Laundering Center and Financial Expertise Center, and newer initiatives such as the Serious Crime Task Force and Fintell Alliance. Seizing and confiscating criminal proceeds is a high priority.

In recent years, there have been several major AML investigations and multi-million-dollar fines by Dutch authorities, the latest being a fine of \$556 million (480 million euro) imposed on major bank ABN AMRO (partially owned by the Dutch government) in April 2021.

Designated entities must file unusual transaction reports (UTRs) on transactions that could relate to money laundering. The FIU-NL analyzes UTRs to determine whether they are “suspicious” and forwards them to law enforcement for investigation, at which point they become classified as STRs. Different currency transaction report thresholds apply to various specific transactions, products, and sectors.

In 2020, of 722,247 filed UTRs, FIU-NL identified 103,947 STRs amounting to \$17.4 billion (15 billion euro) – a significant increase from 2019. FIU-NL attributed the rise in detected STRs largely to improvements in its capacity, technology, and interagency collaboration. Dutch news reported FIU-NL expects to receive more than one million UTRs in 2021. Shifting priorities for law enforcement have hindered sustained effort to improve financial investigations. Per the head of FIU-NL, all the money laundering reports lead to only around 100 arrests annually.

The government allocated an additional approximately \$173.4 million (150 million euro) a year starting in 2022 to fight organized crime. In April 2020, the Netherlands launched the interagency Multidisciplinary Intervention Team to disrupt criminal networks and their business processes.

## **Nicaragua**

### **OVERVIEW**

Nicaragua is not a regional financial center but remains vulnerable to money laundering due to corruption, lack of transparency, drug trafficking, a large informal sector, and politicized anti-money laundering/combating the financing of terrorism (AML/CFT) institutions. The government's failure to act against U.S.-designated officials, while pursuing dubious money laundering charges against opposition leaders, has tarnished its credibility. The government's actions have also raised concern that some people and entities with legal obligations to report activities may become political targets.

Over the past three years, the government has developed new policies, procedures, and controls, although reporting entities and experts have raised concerns about compliance with the new regimen.

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

Nicaragua remains a transit country for narcotics and illegal gold smuggling and is vulnerable to money laundering. Organized crime, cybercrimes, and trafficking in persons may also have increased due to three years of economic recession and political instability, presenting additional vulnerabilities. Trade-based money laundering in thriving industries, such as gold and beef, constitutes a vulnerability, especially for small-scale operations that rely on cash. Gold is Nicaragua's leading export – although the mining sector does not match the output of gold, raising concerns of illegal gold smuggling – followed by coffee and beef. Experts have expressed concern the government might use the gold trade to circumvent U.S. sanctions against Venezuela by importing Venezuelan gold to Nicaragua and then exporting it to third countries, particularly in Europe and the Middle East.

Public corruption drives money laundering in construction and the procurement of goods and services. The health sector is particularly vulnerable with the large infusion of funds and opaque distribution of resources in response to the COVID-19 pandemic.

The government has not released 2021 data on companies operating in free trade zones (FTZs); 2020 data registered 189 FTZ companies.

A regional treaty between El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of citizens among these countries, leaving them vulnerable to the cross-border smuggling of people, contraband, and cash.

Nicaragua does not have an offshore financial center; however, independent media report corrupt officials had funds in offshore banks. AML/CFT legislation covers gaming and, since May 2021, virtual currencies.

Nicaragua does not offer economic citizenship programs but provides asylum and citizenship to political allies under investigation for corruption in their countries of origin. In July, the government bestowed citizenship on former El Salvador president Sanchez Ceren and members of his family.

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## **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

AML/CFT laws mandate disclosure of beneficial owners, including the collection and retention of relevant information. The legislation incorporates international cooperation through information exchange based on bilateral agreements. Financial institutions and designated non-financial businesses and professions must follow customer due diligence (CDD) and suspicious transaction reporting (STR) requirements. The law includes enhanced CDD for politically exposed persons and for transactions conducted with persons/entities the UN Security Council has designated high-risk.

In May 2021, the national assembly amended *Law 977*, which addresses AML, CFT, and countering the financing of proliferation (CFP), by defining virtual assets and creating the National Council on AML/CFT/CFP, replacing the 2018 National Commission. The National Council includes the interior ministry and the Nicaraguan army. Additionally, the reform removes the reporting requirement for pension funds.

The national assembly amended three laws in August 2021. Revisions to *Laws 561* and *587* outline penalties for financial institutions that alter data to avoid filing STRs. The amendments also authorize capital markets to fine financial institutions that fail to comply with AML/CFT/CFP requirements. Revisions to *Law 316* create regulations to prevent money laundering.

Nicaragua is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its mutual evaluation report is available at: <http://www.fatf-gafi.org/media/fatf/content/images/GAFILAT-MER-Nicaragua-2017.pdf>.

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

Politicized AML/CFT institutions remain a concern. The reform to *Law 977*, which adds the Nicaraguan army to the National Council, raises questions about the army's role in a civilian, regulatory function. Removing reporting requirements for pension funds weakens regulators' ability to monitor the Nicaraguan Social Security Institute (INSS) and army and police pension funds. The INSS remains in deficit due to mismanagement, and army and police pension funds have significant assets in-country and abroad. Limited application of AML/CFT legislation hinders Nicaragua's ability to prevent money laundering.

In February 2021, the government revised *Law 842, Law for the Protection of Consumers and Users*, which obligates Nicaraguan financial institutions to do business with designated persons in Nicaragua at the risk of facilitating sanctionable transactions. Financial institutions in Nicaragua that refuse to comply with the law may be subject to punitive action by the regime-aligned central bank and Bank Superintendency, the law's implementers.

In June 2021, the U.S. Treasury designated four Nicaraguan officials, including central bank president Ovidio Reyes, pursuant to *Executive Order 13851*.

Nicaragua is not a member of the Egmont Group of Financial Intelligence Units.

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

The Foreign Ministry has not shared information on investigations, prosecutions, and money seized related to money laundering for 2021.

Politicization of Nicaragua's public institutions remains the greatest obstacle to implementation and enforcement of AML/CFT measures. The government has tightened control on AML stakeholders, prioritizing the harassment of political opponents over strengthening the capacity of regulators and helping reporting entities comply with AML/CFT legislation.

## **Nigeria**

### **OVERVIEW**

Nigeria is a major drug transshipment point and a significant center for financial crime and cyber-crimes.

The Central Bank of Nigeria (CBN) oversees policies to mitigate money laundering/terrorist financing (ML/TF) in the banking industry. The integrity of Nigeria's financial systems is a major problem; the economy has a significant share of informal, cash-based transactions that are difficult to oversee. The *Anti-Money Laundering/Countering Finance of Terrorism (AML/CFT) Act* requires tracing of transactions and identifying sources of cash. There is low compliance by financial institutions. Many contributors to the financial sector operate outside the banking sector, and government regulators have limited ability to trace transactions.

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

Significant money flows occur from kidnappings, drug trafficking, cybercrime, endemic corruption, and other criminal activity. Money laundering occurs through the misuse of legal persons and companies, real estate investment, transfers of illicit funds into foreign banks, round tripping (reciprocal sales of identical assets), jewelry, bulk cash smuggling, and reselling imported goods purchased with illicit funds.

Nigeria lacks sufficient AML/CFT legislation to regulate virtual assets and virtual asset providers. Due in part to Nigerians' attempts to hedge against their own devaluing currency, the naira, Nigeria is a major hub for virtual asset transactions. The CBN banned virtual asset transactions through financial institutions in 2021, but virtual currency trading continues via virtual private networks. The Nigerian government launched a central bank digital currency, the eNaira, on October 25, 2021. Both the minimal government regulation of the virtual markets and the existence of the parallel foreign exchange market increase Nigeria's vulnerability to ML/TF. Licensed foreign exchange dealers are poorly supervised; many unlicensed dealers operate in the informal sector and are unsupervised.

The gaming industry includes casinos, lotteries, and betting pools. Nigeria's 193 registered casinos are subject to customer due diligence (CDD) obligations. While land-based casinos continue to decline, unlicensed internet casinos are growing; they are neither covered by nor supervised for AML/CFT requirements.

Nigeria's 14 free trade zones and more than 400 free zone enterprise operators are an important source of direct foreign investment but require enhanced government supervision and assessment of operator's ownership and exposure to money laundering.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Nigeria has laws to combat ML/TF. The *Company and Allied Matters Act 2020 (CAMA)* is the main legislation for regulating registration of companies. The national assembly modified *CAMA* in 2021 to leverage technology to automate certain *CAMA* compliance requirements and to provide a framework in line with global regulatory best practices. These changes include provisions on electronic authentication of documents; suspension of trustees and appointment of interim managers in certain circumstances; publishing notices in the federal gazette of revoked certificates obtained fraudulently, unlawfully, or improperly; clarification on persons required to disclose compensation to shareholders; and model articles of association for companies.

The *Money Laundering Prohibitions Act 2011* requires banks to conduct CDD when establishing new accounts. The law requires banks to report suspicious transactions and includes enhanced due diligence for politically exposed persons (PEPs).

Extradition between Nigeria and the United States is governed by the 1931 U.S.-U.K. extradition treaty. There is also a bilateral mutual legal assistance treaty between Nigeria and the United States.

The Nigeria Financial Intelligence Unit (NFIU) is a member of the Egmont Group of FIUs. Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/n-r/nigeria/documents/mer-nigeria-2021.html>.

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

International experts have identified regulatory deficiencies and risks, including a need to reevaluate key ML/TF risks, corruption, coverage of legal persons and PEPs, and coordination of regulatory AML/CFT measures. The experts also identified a need to improve coordination of money laundering investigations and prosecution of offenders.

Legal practitioners are not covered under the AML/CFT laws. Legal practitioners have sought and been granted court injunctions restraining the CBN, the NFIU, and the Economic and Financial Crimes Commission (EFCC) from implementing and seeking to enforce AML/CFT provisions regarding lawyers.

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

Civil society organizations protested government reclassification of certain not-for-profit organizations due to CFT laws and regulatory efforts seeking to comply with international standards.

The NFIU demonstrated its capacity to analyze STRs and identified the sources of funding for the #EndSARs protests and criminal activity. NFIU assisted international partners in freezing and recovering fraudulent funds. The NFIU established a unit in 2020 to ensure national policies and regulations are in compliance with international standards and treaties of which Nigeria is a signatory. The NFIU would like to improve market entry controls to strengthen the integrity of the financial sector, including a beneficial ownership database as part of implementation of the CAMA, which would enable referencing of data and cross matching of individuals and bank accounts.

The NFIU issued advisories on the emerging trend of ponzi schemes following an increase in complaints to the EFCC. The CBN published a regulatory framework for operators and processors of foreign exchange trade outside the banks, virtual assets trading, and public government accounts monitoring. The Nigeria Communication Commission has been mandated to enforce and monitor ethical conduct and fair market competition activities due to the risks involved in financial technology.

The EFCC investigated 2,045 cases related to corruption and secured 38 money laundering convictions in 2021.

## **Pakistan**

### **OVERVIEW**

Pakistan's geographic location and porous borders with Afghanistan and Iran make it vulnerable to narcotics and contraband smuggling. Pakistan's financial sector remains vulnerable to financial crimes, in part due to insufficient implementation of regulatory oversight. Pakistan's 2019 National Risk Assessment (NRA) identified drug trafficking, corruption and bribery, smuggling, tax crimes, illegal financial transfers, and terrorist financing as significant financial risks. Designated non-financial businesses and professions (DNFBPs) are involved in money laundering using the financial system. The NRA also found many of the proceeds of major crimes are transferred overseas. The black market, the unregulated financial sector, and a permissive security environment contribute to the substantial demand for money laundering and illicit financial services in Pakistan. Fluctuating political will, regulatory capacity constraints, systemic corruption, and the threat of homegrown and transnational terrorist groups present significant challenges to Pakistan's financial sector and security landscape.

As of October 2021, Pakistan has largely addressed 26 of 27 items in its 2018 agreed-upon anti-money laundering/combating the financing of terrorism (AML/CFT) action plan – the remaining item concerns the prosecution of terrorist financiers. A second action plan established in 2021

focuses on reforms to the country's AML regime. Four out of seven action items have been completed as of October 2021.

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

Money laundering occurs in both the formal and unregulated financial systems.

Just 13 percent of Pakistan's population possess a formal bank account. Remittances from Pakistanis living abroad figure prominently in Pakistan's financial sector. In fiscal year 2021 (July 2020-June 2021), the Pakistani diaspora remitted over \$29 billion to Pakistan via official channels, up 27 percent from the previous fiscal year. Pakistan's central bank attributes much of the increase to an initiative to facilitate formal transfers and inhibit informal transfers. COVID-19 related travel restrictions also likely stimulated use of formal banking channels.

Since such a large segment of the populace is unbanked, fund transfers, legitimate and illegitimate, often go through the unregulated financial sector. Common methods for illicit funds transfers include trade-based money laundering, use of money service businesses (MSB), and bulk cash smuggling. While fraudulent invoicing is often used by legitimate traders for tax evasion, criminals also use this as a money laundering vehicle. Although operation of an unlicensed MSB is illegal in Pakistan, the practice remains prevalent due to poor regulatory oversight and limited penalties. A significant amount of informal financial activity occurs along the largely unregulated Pakistan-Afghanistan border, and to a lesser extent, Pakistan's border with Iran, including among suspected terrorist and insurgent groups.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In 2020, in response to criticisms by international experts and following an agreed-upon action plan, Pakistan adopted 13 new laws. Pakistan now has comprehensive customer due diligence and suspicious transaction report (STR) regulations though their effectiveness has been questioned. Policy reforms appear to have led to an increase in the number of STRs and improvements in their processing. Pakistan's AML/CFT regime requires the disclosure of beneficial owners and enhanced due diligence for politically exposed persons.

The United States and Pakistan have an extradition treaty but do not have a mutual legal assistance treaty; however, both countries are parties to multilateral conventions that include mutual legal assistance provisions. Pakistan does not have a formal mechanism to exchange records on narcotics investigations or court cases and there are no legal mechanisms to allow the United States or other governments to access those records.

Pakistan is a member of Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/n-r/pakistan/documents/mer-pakistan-2019.html>.

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

Certain DNFBPs whose transactions are largely cash-based and poorly documented, and which

are only loosely overseen by authorities, tend to be at the greatest risk for abuse by money launderers, including lawyers, notaries, accountants, real estate brokers, and jewelry/precious metal traders.

Pakistan's Federal Board of Revenue, Securities and Exchange Commission, and Ministry of Finance share authority to regulate at-risk sectors in the economy. As part of the legislative push to address identified deficiencies, Pakistan strengthened and clarified its regulatory authorities for supervision of lawyers, legal advisors, and law firms in 2020 and 2021, but the effectiveness of these new laws and procedures remains undetermined. Pakistan Post and the Central Directorate of National Savings are also vulnerable to abuse by money launderers due to their limited checks on recipients of financial transactions.

The government's writ in border areas is limited due to their remoteness, lack of infrastructure, low population densities, and the fact that many in these economically marginal regions depend on the informal sector for their livelihoods, fostering an environment with little rule of law.

Pakistan's financial intelligence unit (FIU) is not a member of the Egmont Group of FIUs.

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

The FIU reports there were approximately 31 foreign cash smuggling cases, 146 cases of illegally operating an MSB, 21 smuggling cases, and four drug trafficking cases opened in 2021 (January – September) for violations of Pakistan's money laundering offenses. No money laundering prosecutions or convictions were reported in 2021 (January – September).

## **Panama**

### **OVERVIEW**

Panama is a regional financial hub, and illicit funds move through the country via trade transactions, non-financial service businesses, bulk cash shipments, and the formal banking system. Deficiencies persist in information sharing, risk management, prosecutions of white-collar criminals, and implementation of the 2020 beneficial ownership law.

Panama has shown progress in improving noted deficiencies. The legislature recently passed a bill that increases sanctions on financial and non-financial entities involved in money laundering and is considering another bill that would authorize asset forfeiture. Panama made notable strides in the quantity, quality, and use of suspicious transaction reports (STRs) and improvements in risk-based supervision of financial and non-financial entities. The number of non-drug-related money laundering investigations increased significantly with the operational advent of the U.S.-Panama Anti-Money Laundering and Anti-Corruption (AML/AC) Task Force in May 2021. Panama needs to successfully prosecute these cases and achieve convictions.

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



Money laundered in Panama stems from illegal activities committed abroad, including drug trafficking, tax crimes, foreign corruption, financial fraud, and smuggling of people and goods. Panama is located along major trafficking routes and is a drug transshipment country. Lack of a structural capacity to identify bulk cash shipments, inexperience with money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, corruption, and an under-resourced judicial system hinder Panama's fight against money laundering.

Criminals launder money via bulk cash smuggling and trade at airports and seaports; shell companies, casinos, and virtual currencies; and 12 active free trade zones (FTZs), including the Colon Free Zone (CFZ), the second largest FTZ in the world. This creates risk that legal entities created and registered in Panama can be misused to launder funds, especially from foreign predicate crimes. Law firms and registered agents are key gatekeepers, and the use of nominee shareholders and directors remains prevalent.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Panama has comprehensive customer due diligence (CDD) and STR requirements. *Law 23* criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. The executive branch recently passed *Bill 624* and amended *Law 23* to increase sanctions to up to \$5 million for financial entities and finalize sanctions procedures for non-financial entities. The bill also amends laws related to the availability of tax information, accounting standards, and beneficial ownership to improve transparency and information sharing.

Panama's executive branch introduced an asset forfeiture bill in April 2021 to improve its ability to seize and retain assets obtained from criminal activities and thus reduce corruption. The bill is pending in the legislature.

Panama's Financial Analysis Unit (UAF) collects financial intelligence information and works closely with Panamanian law enforcement and the Attorney General's office to initiate investigations. The UAF reported STRs from all sectors increased in both numbers and quality in 2021. Panama also made strides in the use of STRs in criminal investigations.

The United States and Panama have a bilateral mutual legal assistance treaty.

The UAF is a member of the Egmont Group of Financial Intelligence Units. Panama is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/n-r/panama/documents/mer-panama-2018.html>.

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

Although Panama enacted comprehensive beneficial ownership requirements via *Law 129* of March 2020, the government has not drafted implementing regulations but has conducted outreach to law firms on how to collect updated ultimate beneficial owner information. In March 2021, the government began working with an international donor to design a beneficial ownership registry.

Panama needs to demonstrate improved compliance by non-financial entities and finalize sanctions procedures for these entities. Panama must show how resident agents verify and update clients' beneficial ownership information and monitor offshore entities. Panama progressed in implementing its risk-based supervision plan for designated non-financial businesses and professions and took actions to identify unlicensed money remitters.

The CFZ remains vulnerable to illicit financial and trade activities due to weak customs enforcement and limited oversight of transactions. The government continues to address the inadequate AML/combating the financing of terrorism (CFT) safeguards to include the oversight of the CFZ; stronger procedures to inspect goods and register legal entities; and improved coordination and cooperation between the CFZ and customs authorities.

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

Law enforcement and judicial entities are unable to effectively enforce laws under the new accusatory system due to limited resources for training personnel and managing cases. Challenges include limited interagency coordination and a failure to implement new laws, including on tax evasion. Law enforcement lacks basic tools to conduct complex investigations, including undercover operations. The banking system needs to cooperate more readily with money laundering investigations.

Active investigations increased since the joint U.S.-Panama AML/AC Task Force began operations in May 2021. The task force has opened 47 non-drug-related money laundering and corruption investigations, seized \$500,000, and frozen \$2.5 million. Panama must show progress on pressing formal charges, prosecuting, convicting, and seizing assets in such cases.

Panama is making progress on its agreed-upon action plan but must dedicate more effort and resources to complete the actions within the stated timeline.

## **Paraguay**

### **OVERVIEW**

Paraguay's economy continues to recover as COVID-19 cases decline from their 2020 peak, and most restrictions on the movement of people and goods have eased. 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, facilitating significant money laundering (ML) in Paraguay. Chief among the trafficked items are Andean cocaine and international arms (including from the United States). Ciudad del Este continues to be a hub for the distribution of counterfeit and pirated products. Illicit proceeds from public corruption also move through the TBA.

The government has taken steps to align the country's anti-money laundering/combating the financing of terrorism (AML/CFT) legal framework with international standards and enhance

interagency coordination among the competent authorities. While Paraguay has made progress implementing its AML/CFT laws, ML criminal convictions remain rare and uneven due to rampant corruption in both the political and judicial sectors.

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

ML occurs in both financial and non-financial sectors. Vulnerabilities include a plethora 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 money services businesses; corrupt government agents; and insufficient oversight of a high volume of money transfers to Lebanon and China. Paraguay has taken steps to address many of these vulnerabilities.

Transnational and local criminal organizations take advantage of largely informal economies and lax border controls in Ciudad del Este and other border towns to engage in trade-based money laundering (TBML), narcotics and arms trafficking, goods smuggling and counterfeiting, and document forgery. Criminal organizations disguise the illicit 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. The growth of the virtual currency market in Paraguay and its possible use to facilitate ML activities in the region is also of concern.

Paraguay operates two free trade zones 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 ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Paraguay has customer due diligence and suspicious transaction reporting (STR) regulations applicable to a wide range of entities, and enhanced due diligence is required for politically exposed persons.

Ten 2019 AML-related laws form the core of Paraguay's AML/CFT legal framework. Key regulations require disclosure of the identities of all private stockholders to prevent false business registration. Paraguay has attempted to reduce the use of cash through incentivizing and easing the use of electronic payments. It has also taken steps to ensure foreign money transfers used to purchase goods abroad match import declarations made to customs.

There is no bilateral mutual legal assistance treaty between Paraguay and the United States. Both are party to multilateral conventions providing for cooperation in criminal matters. Both countries entered into a customs mutual assistance agreement in 2021.

Paraguay's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Paraguay is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Paraguay's most recent mutual evaluation report is available (in Spanish only) at: <https://www.fatf-gafi.org/countries/n-r/paraguay/documents/mutualevaluationofparaguay.html>.

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

Paraguayan authorities are unable to effectively prevent, detect or deter criminal abuse of cryptocurrency systems. Legislation to regulate cryptocurrencies is currently pending in Congress.

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

Paraguay has taken significant steps to improve its legal and regulatory deficiencies. To improve interagency policy and regulatory cooperation, it established an inter-institutional committee, comprised of relevant AML government authorities, that meets monthly.

Paraguay continues to struggle with investigating and prosecuting complex ML cases within the statute of limitations, in part because of a lack of investigative capacity, selective prosecutions, and judicial delays. Lack of Public Ministry resources, uneven coordination among investigative agencies, and public sector corruption further contribute to the lack of prosecutions.

The Central Bank of Paraguay (BCP) has the authority to sanction banks and finance companies for noncompliance but does so sparingly. The BCP, in coordination with the Paraguayan National Police, has also taken steps to identify and close exchange houses operating outside the law. However, the offense is an administrative rather than a criminal violation and many continue to operate underground in Asuncion and Ciudad del Este.

The BCP and Paraguay's FIU continue to work to improve the quality of STRs. Both institutions use the same risk-based criteria to determine when a regulated entity should submit an STR.

In 2021, Paraguay convicted a former member of the senate for ML-related crimes and arrested the leader of a ML network in Ciudad del Este, under indictment in the United States. However, authorities still often act selectively when prosecuting ML and illicit enrichment cases, and judicial delays frequently prevent the conclusion of cases prior to the expiration of the statute of limitations.

Paraguayan Customs continues to operate a trade transparency unit to combat TBML and other customs crime through the sharing and analysis of international trade data. This modest effort, however, has done little to stem the billion-dollar TBML issues in the TBA. The Attorney General's Office has sought to investigate and prosecute corruption within Customs, and in 2021 filed charges against several corrupt officials stationed at the Friendship Bridge in Ciudad del Este.

## **Peru**

### **OVERVIEW**

Peru inaugurated a new president in July 2021. Peru has experienced challenges in effectively enforcing and implementing its strong anti-money laundering (AML) regime. Poor interagency coordination and corruption within the justice sector impede enforcement efforts. Information sharing is limited but improving. Weak regulatory enforcement and oversight of the small-scale mining and timber sectors are concerns.

The Peruvian government identified \$422 million in potentially illicit funds flowing through Peru from January to September 2021 – a 58 percent decrease from the same period in 2020. Peru continued to enforce COVID-19 restrictions during this time.

According to Peru’s financial intelligence unit (FIU), illegal mining constitutes more than half of all money laundered in Peru in the past nine years. Illegal mining made up \$1.36 billion of identified funds from June 2020-May 2021, while drug trafficking comprised \$125 million. Drug traffickers launder profits through illegal mining activities and gold transactions.

The government strengthened its AML regime in 2021, including by applying the oral accusatory system to all money laundering cases. Peru continued implementing its 2018-2021 *National Plan to Combat Money Laundering* and its asset forfeiture system produced concrete results. In July, Peru began formulating a new national plan for 2022.

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

Illegal gold mining and logging, drug trafficking, and public corruption continue as 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 large quantities of illegal goods, contraband, and cash to cross its borders and transit internally. Weak regulatory enforcement allows illegal gold to be mixed with licit gold, as well as illegal timber with licit timber.

Individuals and organizations funnel illicit funds through front companies using the banking system. Illicit funds also move through notaries, money transfer agencies, real estate, currency exchanges, credit cooperatives, auto sales, and virtual currency. Financial technology and virtual currencies are growing in Peru; a private global internet consumer survey found 16 percent of respondents in Peru owned or used cryptocurrency in 2020, the sixth highest rate in the world. A virtual currency investment group stated Peru continues to hold the third highest transaction volume for virtual currencies in Latin America. Peru’s FIU published a risk analysis of virtual currency and bitcoins on November 30, 2021.

Peru’s gaming industry reported \$780 million in revenue in 2018, the latest year data is available. Peru continues to lack adequate controls on the gaming sector, which is at risk for money laundering. Peru has an investor residency program requiring \$127,000 in investment. Peru has four free trade zones that provide customs and tax benefits.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Peru has a robust AML regulatory framework, and legislation establishes money laundering as an autonomous crime and includes customer due diligence and suspicious transaction reporting

requirements. Regulations define and require enhanced due diligence for politically exposed persons. In January 2021, Peru's Superintendent of Banks (SBS) published regulations requiring moral, technical, and solvency qualification evaluations for owners, beneficiaries, and other important roles in regulated entities. In July 2021, Peru published *Law 31305*, which allows the FIU to access information covered by bank and tax secrecy laws during an investigation.

The U.S. Drug Enforcement Administration (DEA) participates in Peru's Money Laundering Task Force, which includes the Peruvian National Police (PNP), public prosecutors, and the FIU. The DEA and PNP develop and share criminal intelligence on major international drug trafficking and money laundering organizations, while prosecutors collect and exchange information on criminal investigations through mutual legal assistance requests.

The FIU is a member of the Egmont Group of FIUs. Peru is a member of the Financial Action Task Force (FATF) of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-peru-2019.html>.

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

Peru should improve interagency coordination by amending *Law 27693* to allow the FIU to share its reports beyond just public prosecutors and increase the ability of SBS to take disciplinary actions and charge fines for noncompliance. The government is receptive to recommendations from donors and experts.

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

Pervasive corruption hampers money laundering prosecutions. Political figures, judges, and legislators have been implicated in money laundering, creating an impediment to progress on reform.

In 2021, the FIU completed an analysis of all 126 money laundering convictions from 2012-2019, finding that 79 of those convictions emerged from cases tried under the oral accusatory system. Previously, only certain types of money laundering cases fell under this system; other cases used the written, inquisitorial system. As of June 2021, Peru fully transitioned to the accusatory system, which will now apply to all money laundering cases filed. Money laundering convictions, however, remain low.

From January to September 2021, Peru convicted 15 individuals for money laundering and financial crimes. At the same time, from January to September 2021, Peru's asset forfeiture system issued 96 orders against assets worth over \$6.52 million and had 386 cases in process.

High turnover of specialized prosecutors and lack of technical financial and legal knowledge hinder enforcement efforts. The attorney general's office improved its AML capacity by establishing a special prosecutor's office on cybercrime.

Peru continues to lack effective enforcement and oversight in the small-scale mining sector. In November 2020, authorities seized \$3.9 million in alleged illegal gold from air freight warehouses.

## Philippines

### OVERVIEW

In 2021, the Philippines made efforts to strengthen its anti-money laundering/combating the financing of terrorism (AML/CFT) regime, but significant challenges remain. Despite pandemic challenges limiting the Anti-Money Laundering Council's (AMLC) opportunities for in-person engagement, the government set an aggressive goal to achieve improvements using a whole-of-government approach. Demonstrative of its commitment, the AMLC launched a series of actions to address noted AML/CFT deficiencies, including increasing its personnel.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Due to the archipelagic nature of the country, it is challenging for the country to monitor its porous borders, making the Philippines a potential transshipment point for drug cartels. Drug trafficking remains a challenge to the Philippine government, with increased drug activity observed at seaports and across the country's porous maritime borders. Other sources of illicit funds include web-related crimes such as online scams, online sexual exploitation of children, Philippine offshore gaming operators (POGOs), and illegal online drug sales. COVID-19 relief efforts created a surge in allegations regarding the flow of funds for products and services rendered to the government. In one notable example, the Philippine senate requested the AMLC review the transactions of Pharmally Pharmaceutical Corp., which had secured billions of pesos worth of government contracts despite its lean capital and unproven track record in the industry. Two Pharmally executives have been detained by the government. The banking sector, money services businesses, and pawnshops remain the primary channels for money laundering/terrorist financing.

The AMLC observed an increase in suspicious transaction reports (STRs) (3 million in 2021, up from 1 million in 2020) by electronic money issuers, indicating the use of online currency and e-money in money laundering activity. Investigators also report that virtual currencies are a trending mode of payment accepted by drug traffickers and could potentially be used in terrorist financing.

The Philippine Economic Zone Authority (PEZA) oversees 379 economic zones, which are generally adequately regulated. There are also several other special economic zones and free ports that are held privately and do not fall under PEZA oversight. Due to the separate authorities of the security and customs officials monitoring these zones, law enforcement officials face difficulty targeting illicit activity or organizations operating within them.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

Amendments to the Philippine's AML/CFT legal framework that took effect in January 2021 include designating offshore gaming operators and their service providers as covered persons, making tax crimes a predicate offense for ML, and granting the AMLC the power to manage frozen assets, issue freeze orders, and implement targeted financial sanctions.

On September 2, 2021, President Duterte signed into law a measure imposing taxes on the Chinese-dominated POGO industry, including a 5 percent gross gaming revenues tax on POGOs. The new law aims to stabilize the POGO industry and encourage the return of operators, whose exit following the COVID-19 lockdowns in 2020 negatively impacted the economy. Despite his prior opposition to gaming, in July 2021 President Duterte encouraged POGOs to return to the Philippines despite rising criticism of POGO-related criminal activities.

Provisions in the AML law and its implementing regulations addressing customer due diligence, politically exposed persons, and STRs substantially meet international standards.

The Philippines and the United States have a bilateral mutual legal assistance treaty.

The AMLC is a member of the Egmont Group of Financial Intelligence Units. The Philippines is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

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

The Philippines is working to address AML/CFT deficiencies noted by international experts and to complete its agreed-upon action plan, including by: demonstrating effective risk-based supervision of designated non-financial businesses and professions; demonstrating supervisors are mitigating AML/CFT risks in the casino sector; implementing registration requirements for money or value transfer services and applying sanctions to unregistered and illegal remittance operators; enhancing and streamlining local enforcement agencies' access to beneficial ownership (BO) information and ensuring BO information is accurate and current; demonstrating increases in the use of financial intelligence and in money laundering investigations and prosecutions; increasing the identification, investigation, and prosecution of terrorist financing cases; taking appropriate measures with respect to the non-profit organization (NPO) sector (including unregistered NPOs) without disrupting legitimate NPO activity; and enhancing the effectiveness of the targeted financial sanctions framework for both terrorist financing and proliferation financing.

The Philippines does not have a comprehensive law on asset sharing. The preservation, management, or disposal of forfeited or confiscated assets are subject to the provisions of Philippine laws if there are no governing individual bilateral treaties or multilateral conventions.

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

The Philippines is updating its *2018-2022 National Anti-Money Laundering and Countering the Financing of Terrorism Strategy*.



The AMLC continues to strengthen its ties with other agencies and jurisdictions to increase effectiveness. The AMLC entered into a domestic agreement with the Philippine National Police to create a fusion center for information and intelligence exchange and operational cooperation. International donors are assisting the AMLC with the drafting of proliferation finance legislation.

The AMLC filed a total of 85 cases related to money laundering from January to August 31, 2021 (compared to 37 cases in 2020); however, pandemic-related court closures hindered case adjudication.

## Saint Kitts and Nevis

### OVERVIEW

Saint Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. Its economy is reliant on tourism, a citizenship by investment (CBI) program, and offshore banking. Saint Kitts and Nevis continues to strengthen its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. It is a member of the Eastern Caribbean Central Bank (ECCB), which serves as the country's central bank and monetary authority.

The Financial Services Regulatory Commission (FSRC) licenses and supervises entities that provide fiduciary and business services in the areas of international company registration, formation of trusts, establishment of multiform foundations, international insurance, money services, and international banking.

The Customs and Excise Department (CED) is responsible for regulating the entry of vessels, aircraft, and goods including currency, bearer negotiable instruments, and precious metals.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Drug trafficking is the primary source of illicit funds. According to a Joint Intelligence Office and Caribbean Customs Law Enforcement Council report, money laundering (ML) risk in the country is high. Illegal cash continues to move across the region predominantly through air travel.

In 2021, Saint Kitts and Nevis completed a follow-up national ML/terrorist financing risk assessment (NRA). NRA-identified actions include establishment of a legislative committee to review existing legislation and propose amendments to enhance the AML/CFT regime and increased staff at offices such as the White-Collar Crime Unit of the Royal Saint Kitts and Nevis Police Force (RSCNPF).

As of September 2019, the FSRC Saint Kitts Branch supervised two insurance managers, 48 trust and service providers, 16 domestic insurance companies, 11 money service businesses (MSBs), four credit unions, and one development bank. There is no recent information on the number of

international business companies (IBCs), limited liability companies (LLCs), or trusts in Saint Kitts.

As of September 2019, the FSRC Nevis Branch supervised 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 497 IBCs, 344 LLCs, 56 trusts, and six foundations from January through June 2021.

Bearer shares are authorized for private exempt companies and IBCs but not public or private ordinary companies. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer and the certificate's beneficial owner.

Financial Crimes Enforcement Network (FinCEN) issued an Advisory in 2014 to alert U.S. financial institutions about the Saint Kitts and Nevis CBI program. The program offers applicants 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. An alternative investment option allows applicants to invest in certain government-designated infrastructure projects. Applicants from North Korea, Iran, and Afghanistan are prohibited. Due to security concerns with some CBI passport holders, Canada requires visas for Saint Kitts and Nevis passport holders. Saint Kitts and Nevis states CBI applicants are subject to a due diligence process, including CDD, documentation review, data comparison and analysis, source of funds analysis, and a risk assessment. International contractors conduct due diligence on applicants.

While the gaming board is responsible for the general oversight of gaming in Saint Kitts and Nevis, the FSRC has limited responsibilities for AML/CFT supervision of casinos. There are approximately 14 licensed gaming entities.

As of April 2021, the ECCB began a yearlong pilot program developing "DCash," the first such blockchain-based currency introduced by any of the world's currency unions. Saint Kitts and Nevis is one of the four pilot jurisdictions.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Customer due diligence (CDD) and suspicious transaction reporting (STR) regulations include enhanced due diligence for politically exposed persons and high-risk customers. In addition, laws provide for the detection, investigation, and prosecution of money laundering and the forfeiture or confiscation of the proceeds of crime.

Saint Kitts and Nevis has a mutual legal assistance treaty with the United States. The RSCNPF and the financial intelligence unit (FIU) regularly provide informal assistance to U.S. law enforcement agencies and other Caribbean jurisdictions.

The FIU is a member of the Egmont Group of FIUs. Saint Kitts and Nevis is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf->

[gafi.org/countries/#Saint%20Kitts%20and%20Nevis](https://gafi.org/countries/#Saint%20Kitts%20and%20Nevis).

### **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.

Persons can form an IBC or LLC in less than 24 hours in Nevis, and bearer shares are allowed, though discouraged, and must be held by an approved custodian.

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

In 2021, FSRC imposed sanctions against regulated entities that breached AML/CFT obligations, including a fine of \$120,000 in one instance. During this period, the FIU referred five case disclosures to the police.

As of December 22, 2021, ML charges were brought against one person; however, there were no ML convictions. Currently, nine persons are awaiting prosecution for ML-related cases.

The CED continues to work closely with other border agencies, notably the Immigration Department and the RSCNPF, to detect illegal transfers of cash in and out of the islands. These agencies and the FIU also share information.

## **Saint Lucia**

### **OVERVIEW**

Saint Lucia's main source of revenue is tourism. Its location in the Eastern Caribbean, proximate to other Caribbean nations and South America, make it a transshipment point for illegal drugs and cash. Saint Lucia has made some progress on its anti-money laundering/combatting the financing of terrorism (AML/CFT) regime.

Saint Lucia's Financial Services Regulatory Authority (FSRA) lists the following regulated entities on its website: 26 insurance companies, 17 credit unions, 11 international banks, 33 international insurance companies, 30 pension plans, and 14 money service businesses. As of September 2019, there were 11 mutual funds operated by three funds managers with total assets of \$267.4 million, 3,762 active international business companies (IBCs), and 50 active international trusts incorporated on Saint Lucia.

The Eastern Caribbean Central Bank (ECCB) regulates onshore commercial banks in Saint Lucia. As of April 2021, the ECCB began a yearlong pilot program developing "DCash," the first such blockchain-based currency introduced by any of the world's currency unions. Saint Lucia is one of the four pilot jurisdictions.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Saint Lucia reports the primary source of illicit funds is from narcotics trafficking. The country's porous borders increase the risk of drug-related money laundering. Money laundering most commonly occurs through structured deposits and cash remittances to a funnel account, as well as integration of illicit cash through real estate and cash-intensive businesses. Saint Lucia's national risk assessment identifies international banks, international insurance companies, private international mutual funds, non-governmental organizations, and lawyers as being at high risk for money laundering activity.

IBCs can be incorporated in one day and nominee directors are allowed under the *International Business Companies Act*. Any IBC incorporated in 2019 or later is 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 maintain registers 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. As of June 30, 2021, IBCs incorporated prior to 2019 must now also comply with these provisions.

There is one free trade zone operating in Vieux Fort.

Saint Lucia's citizenship by investment (CBI) program, launched in 2015, allows individuals to apply for citizenship through a minimum donation to the National Economic Fund of \$100,000 per applicant. Other CBI options include a \$300,000 minimum purchase in real estate; a \$3.5 million investment by an individual in an approved enterprise project; or a government bond minimum purchase of \$500,000 for an individual. 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 supporting evidence. International firms perform due diligence checks on applicants. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process.

## **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The key AML laws in Saint Lucia are the *Money Laundering (Prevention) Act of Saint Lucia (MLPA)*, the *Money Laundering (Prevention) Regulation of Saint Lucia*, and the *Proceeds of Crimes Act of Saint Lucia (POCA)*. The *MLPA* defines money laundering offenses and the *POCA* provides for the forfeiture of property connected to money laundering.

Saint Lucia has suspicious transaction reporting requirements. *MLPA* regulations mandate reporting entities undertake appropriate customer due diligence and record keeping measures that would allow for the detection of suspicious activity and ultimately assist law enforcement in investigations. Reporting entities are also mandated to conduct enhanced due diligence for high-risk categories of customers, including politically exposed persons. *MLPA Regulation 170* stipulates that covered institutions are required to maintain all relevant records on the identity and transactions of their customers, both locally and internationally, for at least seven years.

In 2018, the government amended the *International Trust Act* to define a beneficial owner and mandate beneficial ownership information be kept by the trustee. These amendments became effective as of June 30, 2021. In 2018, Saint Lucia passed a separate law repealing its *International Trusts Act* as of June 30, 2021. International trusts are no longer recognized in Saint Lucia as of January 1, 2022.

The *MLPA* prohibits making a false source of funds declaration for sums of more than \$9,000. Violations carry a penalty of \$18,000 or five years' imprisonment.

There is a bilateral mutual legal assistance treaty between Saint Lucia and the United States.

Saint Lucia's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Saint Lucia is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/s-t/saintlucia/documents/mer-saint-lucia-2021.html>.

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

Saint Lucia is generally in technical compliance with international standards; however, inadequate resources and lack of strategic direction impact the FIU's effectiveness and ability to complete all of its functions.

Saint Lucia's beneficial ownership obligations have gaps in coverage and some provisions do not require timely notifications of ownership changes.

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

Three money laundering prosecutions were initiated in 2021, with one conviction. The two other cases are still pending trial. There were five cash seizures for the year resulting in two forfeitures valued at approximately \$95,000. The other three seizures are still pending forfeiture proceedings.

## **Saint Vincent and the Grenadines**

### **OVERVIEW**

Saint Vincent and the Grenadines is comprised of 32 islands and cays, with an economy dependent on tourism and an offshore financial services sector. The country continues to progress in its anti-money laundering/combating the financing of terrorism (AML/CFT) regime.

The financial intelligence unit (FIU) cooperates with the United States regularly and seeks to address money laundering challenges through risk assessments, workshops, and training of its staff, as well as of compliance officers of entities overseen by the FIU. The Financial Services Authority (FSA) is the regulatory body that supervises the offshore financial sector, and the FIU is the supervisory authority for designated non-financial businesses and professions (DNFBPs).

There are no free trade zones or economic citizenship programs. Gaming is legal, but there are no casinos in operation. As of year-end 2021, the FSA indicates there are three international banks, 4,097 international business companies (IBCs), 1,327 limited liability companies, 78 international trusts, 14 registered agents, and 75 mutual funds. IBCs can be incorporated in less than 24 hours from receipt of application.

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

Saint Vincent and the Grenadines reports that drug trafficking is the main source of illicit funds. The country is the Eastern Caribbean's leading producer of marijuana. It also serves as a transshipment point for narcotics that are transferred by go-fast boats or private yachts along uninhabited Grenadine islands. Couriers carry money through the airport, ports, or other points of entry.

Physical presence is not required for offshore sector entities and businesses, apart from offshore banks. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business. The government requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody.

Saint Vincent and the Grenadines reports it has increased supervision over non-profit organizations (NPOs) and DNFBPs, including car dealers and car rental businesses, to combat certain money laundering typologies. In October 2021, the FIU published AML/CFT guidelines for DNFBPs. The FIU supervisory department has commenced an annual compliance program, informed by a questionnaire to businesses. There has been an increased flow of money through NPOs in response to the natural disaster caused by the April 2021 La Soufriere volcanic eruption. The FIU has conducted a risk assessment of the NPO sector to ensure compliance with AML/CFT obligations without hindering the flow of humanitarian funds.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Saint Vincent and the Grenadines has comprehensive AML legislation and regulations, including the *2017 Proceeds of Crime (Amendment) Act (POCA Act)* and the *2017 Anti-Money Laundering Terrorist Financing Code*. Proceeds of crime that are confiscated are paid into a confiscated assets fund overseen by the Ministry of Finance.

The FIU of Saint Vincent and the Grenadines is a member of the Egmont Group of FIUs. Saint Vincent and the Grenadines is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at:

<https://www.cfatf-gafic.org/member-countries/saint-vincent-and-the-grenadines>.

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

In 2021, Saint Vincent and the Grenadines sought to address AML/CFT deficiencies in relation to politically exposed persons (PEPs) and penalties for AML/CFT noncompliance. Authorities disseminated a list of external PEPs to financial institutions, proposed draft regulations on administrative penalties, and initiated compliance program discussions with the Eastern Caribbean Central Bank.

Virtual assets are not addressed under the current AML/CFT framework. The government plans to amend the definition of cash in the *POCA Act* to include virtual assets as well as virtual asset service providers.

Saint Vincent and the Grenadines should become a party to the United Nations Convention against Corruption.

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

Saint Vincent and the Grenadines continues to increase AML cooperation among the FIU, the Office of the Director of Public Prosecutions, the Director of Public Prosecution, the Royal Saint Vincent and the Grenadines Police Force, the Coast Guard, Immigration, and Customs and Excise Department. The country utilizes a web-based e-reporting tool as a digital component of its internal reporting procedures for the more efficient filing of suspicious activity reports.

The FIU's core risk assessment and training objectives are to identify developing trends and common typologies relating to money laundering vulnerabilities. FIU supervisors have undergone AML/CFT certification training.

For 2021, Saint Vincent and the Grenadines reported three money laundering-related prosecutions. The three cases also include charges for violations of the *POCA Act*. Two persons were convicted; the other case is expected to go to trial in late 2021.

## **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.

Senegal is exposed to risks from organized crime, drug trafficking, terrorist financing, internet and other fraud, and a large informal, cash-based sector. Major sources of illicit proceeds include narcotics, human trafficking, illegal trade in wildlife and timber, counterfeiting, and public corruption.

In February 2021, Senegal made a high-level political commitment to strengthen the effectiveness of its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. Since 2018, Senegal has made progress in improving technical compliance and effectiveness, including by adopting a national AML/CFT strategy and amending its legal and

institutional framework. However, the provisions of the law have yet to be fully implemented. The Government of Senegal should do so without delay.

Analysis shows weaknesses in the following areas: lack of specialization among law enforcement officials, prosecutors, and judges in handling complex financial crime investigations; lack of accurate data on money laundering/terrorist financing (ML/TF) and related risks; weak awareness-raising programs for stakeholders; inefficient implementation of a sanctions regime; lack of information on beneficial ownership; and the need for swift implementation of legislation on the management and disposal of seized property and asset recovery.

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

Senegal's strategic location supports the development of trade routes for illicit goods and funds. Corruption and drug trafficking are the most likely sources of laundered proceeds. Other predicate offenses include illicit trade in artisanal mining, car theft, smuggling, and counterfeiting, including counterfeit pharmaceuticals. According to law enforcement reports, the banking, real estate, and designated non-financial businesses and professions (DNFBP) sectors, along with cross-border movement of funds, seem to be the channels of ML/TF most frequently used by financial criminals.

Widespread use of cash, hawaladars, and new payment methods present money laundering vulnerabilities. Mobile payment systems are gaining prominence. However, resource constraints prevent effective AML/CFT 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. A mobile payment system 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 ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In June 2021, Senegal amended its penal code and criminal procedure code to make provision for the creation of a national assets' recovery office and to criminalize the financing of travel for terrorist purposes along with the financing of an individual terrorist or a terrorist organization for any purpose.

Senegal has launched various studies and sectoral assessments to help inform the understanding of the country's ML/TF risks. These studies span the casino, non-profit, legal, real estate, art, and antiquities sectors and will provide the basis for developing tools and manuals for the effective implementation of AML/CFT supervisory obligations in these sectors. These manuals aim to provide a suitable tool for risk-based supervision to better monitor and control the operations of these sectors.



The United States and Senegal do not have a bilateral mutual legal assistance treaty or an extradition treaty. Mutual legal assistance can and does occur through multilateral law enforcement conventions with applicable provisions or based on domestic law.

Senegal's National Financial Intelligence Processing Unit is a member of the Egmont Group of Financial Intelligence Units. Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 effectiveness of a beneficial ownership register, weaknesses in the forfeiture regime, lack of a non-conviction-based forfeiture law, and the lack of a dedicated asset recovery agency.

Other outstanding deficiencies focus principally on people and entities providing money or value transfer services, including insurance companies, non-governmental organizations, and traditional informal financial networks. These people/services are not required to be licensed or registered with any competent authority, are not subject to dissuasive sanctions for operating without a license or registration, and may rely on agents who are not involved in AML/CFT programs or monitored for compliance.

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

Senegal's legal framework is largely in place, albeit with some weaknesses, including sluggish action by local jurisdictions in implementing AML/CFT obligations in the DNFBP sectors, with infrequent examinations or sanctioning adversely impacting the implementation of AML/CFT measures. Furthermore, the country suffers from a lack of reliable data relevant to evaluating money laundering risks. Although the government has put in place a mechanism to give effect to measures permitting assets to be frozen, enforcement is still lacking.

Guidance on ML/TF risks provided by supervisory institutions to reporting entities remains insufficient. Therefore, improving banking and non-banking supervision is an obvious and much needed way to strengthen AML/CFT systems in Senegal. This may be through corrective measures and proportionate sanctions that help to change behaviors and deter non-compliance.

## **Seychelles**

### **OVERVIEW**

Seychelles continues to improve its anti-money laundering/combating the financing of terrorism (AML/CFT) regime.

A National AML/CFT Committee (NAC), which brings together high-ranking officials from law

enforcement, regulatory bodies, and supervisory agencies, was established in 2019. The NAC launched the Seychelles National AML/CFT Strategy 2020-2023 in July 2020, setting out strategic objectives to bring the AML/CFT regime in line with international standards.

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

Drug trafficking, corruption and fraud through the offshore financial center are major sources of illicit funds.

Seychelles is a booming illegal drug market and suffers from one of the highest per capita rates of heroin use in the world. Increasing volumes of heroin are trafficked through the island. Seychelles lies in the heart of the southern route, where heroin cultivated in Afghanistan is trafficked via East and southern Africa to markets in Europe and the United States. The country's 115 islands, enormous exclusive economic zone, and porous borders further complicate monitoring by local authorities. Proceeds from drug trafficking are laundered through cash-intensive businesses, such as car rental businesses, real estate deals, and businesses that rely on the exchange of foreign currency.

Corruption significantly underpins the growth of the drug market in Seychelles. There is optimism, however, for change. In October 2020, for the first time since the return of multiparty elections in 1993, the opposition coalition party won both presidential and legislative elections. In a recent speech, Seychellois President Ramkalawan requested members of the National Assembly involved in drug trafficking to stop illicit activities. The fight against drugs is one of President Ramkalawan's campaign promises.

Seychelles' offshore financial center was established in 1994 to diversify the country's economy beyond tourism and fishing. Non-bank financial services are regulated by the Seychelles Financial Services Authority (FSA). According to FSA's 2020 annual report, there were 224,525 international business companies (IBCs), 918 foundations, and 849 international trusts registered in Seychelles at year-end 2020. The FSA faces challenges in supervising the large number of IBCs.

Seychelles has a Citizenship by Investment Program, which provides citizenship to investors who invest \$1 million or more in Seychelles. This policy, as well as presidential discretion to grant citizenship, has contributed to money laundering in Seychelles. The *Amended Citizenship Act 1994* gives the president the authority to grant citizenship to persons for distinguished service and under special circumstances when the president determines the person is meritorious. President Ramkalawan has indicated he does not intend to use this authority. The law has not been amended.

Several international investigations on virtual currency trading scams have been traced to Seychelles. In October 2020, the U.S. Financial Crimes Enforcement Network assessed a civil money penalty in the amount of \$100 million against the Bitcoin Mercantile Exchange (BitMEX) trading platform, a Seychellois IBC operating in the United States for violations of U.S. AML regulations. This was a part of a global settlement with another U.S. regulator, the Commodity Futures Trading Commission (CFTC), where BitMEX also violated multiple CFTC

regulations as a futures commission merchant. Separately, in 2021, Seychelles was named in the OneCoin case, an ongoing investigation of multiple transactions involving the transfer of 230,000 bitcoins, cash, and property worth over \$10 billion. It has been reported the FSA and the Ministry of Finance (MOF) are working on a policy to determine whether to prohibit or license cryptocurrency trading platforms as IBCs.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The primary AML/CFT legislation includes the *Anti-Money Laundering and Countering the Finance of Terrorism Act 2020 (AML/CFT Act)*, *Beneficial Ownership Act 2020*, and *Prevention of Terrorism Act 2004*.

The following AML/CFT laws were amended in 2021 to address different weaknesses and gaps identified by international experts and an AML/CFT national risk assessment: *Trust Bill*, *International Corporate Services Providers Act*, *Companies (Special Licenses) Act*, *Foundations Act*, *Limited Partnership Act*, and *International Business Companies Amendment Bill*.

The *AML/CFT Act* mandates customer due diligence (CDD) and suspicious transaction reporting (STR). The *AML/CFT Act* also mandates enhanced CDD as well as ongoing monitoring for politically exposed persons. According to reports published by the financial intelligence unit (FIU), the majority of STRs filed were related to money laundering.

Seychelles' FIU is a member of the Egmont Group of FIUs. Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: [https://www.esaamlg.org/index.php/Mutual\\_Evaluations/readmore\\_me/411](https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/411).

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

There are no laws governing the AML/CFT risks associated with new technologies and virtual assets. The FSA and the MOF are currently working on a policy related to incorporation of cryptocurrency trading platforms as IBCs registered in Seychelles.

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

Seychelles has made significant progress in addressing AML/CFT regulatory gaps, particularly regarding beneficial ownership. However, there are no mechanisms to facilitate cooperation and coordination amongst competent authorities to combat the financing of proliferation of weapons of mass destruction, and to ensure AML/CFT requirements comply with data protection and privacy rules.

On November 21, 2021, the Anti-Corruption Commission of Seychelles arrested a prominent businessman and his wife on charges of corruption as part of an investigation into a \$50 million loan from the United Arab Emirates. As of December 21, 2021, authorities have charged six high-profile members of the former government with corruption and money laundering in connection with this case.

## Sint Maarten

### OVERVIEW

Sint Maarten is a country within the Kingdom of the Netherlands (the Kingdom). The Kingdom retains responsibility for foreign policy and defense, including negotiating and concluding international conventions in those areas. There is a law enforcement memorandum of understanding (MOU) between the four Kingdom countries and the United States. The Dutch-based legal system is effective in the detection and prosecution of money laundering suspects.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Sint Maarten has 13 officially licensed casinos serving a population of approximately 40,000 persons, up to 30,000 temporary residents, and the nearly two million tourists who visited annually before the COVID-19 pandemic. Some gaming houses have reputations as money laundering centers for the owners and their contacts. Online gaming is legal.

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 in 2017 destroyed many of those real estate developments. The Government of Sint Maarten continues to rebuild key infrastructure.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

In 2019, the government issued the *National Ordinance Combating Money Laundering and Terrorist Financing*. Under this ordinance, the financial intelligence unit (FIU) supervises designated non-financial businesses and professions, including appraisers, project developers, building material providers, car dealers, jewelers, real estate agencies, notaries, lawyers, tax consultants, accountants, and administration offices. The transaction reporting threshold of \$14,000 covers cash, precious metals, jewelry, and rare objects of high value.

The *National Ordinance on Games of Chance*, *National Ordinance Offshore Games of Chance*, and the *Lottery Ordinance* cover the gaming industry, which includes games of chance, casinos, lotteries, and offshore (internet) gaming businesses. Gaming entities are supervised by the FIU.

Changes to the *National Ordinance Material Civil Service Law* and the *National Ordinance on Design and Organization of Government* address international standards focusing on corruption. The *United Nations Convention against Corruption* is implemented by the new *Code of Criminal law*.

The Kingdom may extend international conventions to the countries within the Kingdom if the countries agree. The Kingdom extended to Sint Maarten (as a successor to the Netherlands

Antilles) the application of the *1988 United Nations (UN) Drug Convention* in 1999 and the *UN Convention against Corruption* and the *UN Convention against Transnational Organized Crime* in 2010. In accordance with international agreements entered into by the Kingdom, each constituent country can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The constituent countries may conclude, within parameters, MOUs in areas in which they have autonomy.

The 1981 mutual legal assistance treaty 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.-European Union provisions, was not extended to Sint Maarten.

The FIU is a member of the Egmont Group of FIUs. Sint Maarten is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluationreports/sint-maarten-1>.

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

Sint Maarten planned to begin conducting its national risk assessment in March 2020, but the effort remains suspended because of the COVID-19 pandemic.

### **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 (UTRs) with the FIU on any transaction that appears unusual or when there is reason to believe a transaction relates to money laundering, terrorism financing, or proliferation. If, after analysis of a UTR, a strong suspicion of money laundering arises, those suspicious transactions are reported to the public prosecutor's office.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest in the Caribbean islands. The seaport and airport are still recovering from the aftermath of Hurricane Irma (2017). 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 on alert for regional smuggling, trade-based money laundering, and value transfer schemes. In November 2020, the public prosecutor settled with three money laundering suspects for \$200,000.

The four FIUs within the Kingdom recently implemented a secure network (FCInet) with highly effective privacy-enabled data matching capabilities. The FIU seeks to extend these tools to other partners.

## **Spain**

## **OVERVIEW**

Spain proactively identifies, assesses, and understands its money laundering vulnerabilities and works to mitigate risks. Spain remains a logistical hotspot for organized crime groups based in Africa, Latin America, and the former Soviet Union and is a transshipment point for illicit drugs entering Europe from North Africa and South America. Spain largely complies with international anti-money laundering/combating the financing of terrorism (AML/CFT) standards and in general has updated AML/CFT regulations and competent authorities.

The government continues to build on its already strong measures to combat money laundering. In November 2019, Spain joined five other European Union (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. In May 2020 this effort culminated in the European Commission's adoption of an action plan for a comprehensive EU policy on preventing money laundering and terrorism financing, which was implemented in July 2021.

## **VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Spain is a transshipment point for cross-border illicit flows of drugs. Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling 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. Law enforcement authorities have identified a trend of drugs and drug proceeds entering Spain from newer EU member states with weaker law enforcement capabilities.

The major sources of criminal proceeds are drug trafficking, political influence and foreign corruption, organized crime, customs fraud, human trafficking, and counterfeit goods. The most common means of laundering money are through real estate purchases and sales, the use of complex networks of companies and contracts, the exploitation of money or value transfer services, and the use of cash couriers. Criminals utilizing virtual currencies to launder proceeds of a crime are becoming more prevalent. 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 ANTI-MONEY LAUNDERING (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 customer due diligence and suspicious transaction reporting regulations, and politically exposed persons are subject to enhanced due diligence. Additionally, in October 2021, the central bank introduced new registration guidelines for local virtual currency service providers, including banking institutions.

Spain's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Spain is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available

at: <https://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>.

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

Spain is largely compliant with international AML/CFT standards. Regulations issued in 2017 increase the information included by, and available to, financial institutions when processing wire transfers. However, Spain can do more to encourage non-governmental organizations to use regulated financial channels. Additionally, despite improvements in oversight in recent years, full enforcement of AML obligations for legal professionals remains a challenge for Spanish authorities.

Information about AML fines in Spain is not available to the public.

Spain's legislation lacks provisions addressing the collection and maintenance of beneficial ownership information.

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

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 or suspension) 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.

## **Suriname**

### **OVERVIEW**

Money laundering in Suriname is linked to the transshipment of cocaine, primarily to Europe. Casinos, real estate, foreign exchange companies, car dealerships, and the construction sector remain vulnerable to money laundering due to lax enforcement, though Suriname's financial intelligence unit (FIU) has increased its engagement with designated non-financial businesses and professions (DNFBPs). Public corruption also contributes to money laundering. Profits from small-scale gold mining fuel a thriving informal sector. Much of this money does not pass through the formal banking system. In Suriname's interior regions, bartering with gold is common.

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

Suriname's domestic financial crisis worsened in 2021. Suriname depreciated its currency for a third time in May 2021, limiting the gap between the official exchange rate and the unofficial parallel rate. Local banks cannot meet the U.S. dollar needs of their customers, and cash

withdrawals are limited and subject to administrative fees. In 2020, banks began promoting wire transactions and introduced mobile pay services in order to track money flows and limit cash transactions. Despite these banking changes, the majority of merchants still prefer cash. As a consequence, many Surinamers do not deposit their U.S. dollars in banks.

Suriname has online gaming.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Suriname has an adequate legal framework for anti-money laundering (AML) enforcement, including customer due diligence (CDD) and suspicious transaction reporting (STR) requirements, but amendments are needed to comply with international standards. Suriname did not pass or amend AML legislation during 2021. CDD and STR requirements cover banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, and notaries; lawyers; real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers.

Suriname is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/index.php/member-countries/suriname>.

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

The final draft of the national risk assessment (NRA) was formally handed over to the Surinamese president in August 2021. Since the completion of the NRA in March 2021, very few outside the government have had access to it. A public version was added to the larger report but was not released as it is covered by a non-disclosure agreement. Stakeholders are still waiting for the public version to be released.

A local daily newspaper claimed in October 2021 that it obtained a copy of the NRA, which covers the period 2015 through mid-2020. It reported that the greatest threat to Suriname's financial sector is corruption. Corruption and bribery are deeply rooted within government institutions and have a paralyzing impact on government, hindering the effective execution of its duties. The NRA the news outlet cites indicates the drug trade, armed robberies, and fraud are significant threats. Illegal practices, such as illegal logging and gold mining, can be funded by proceeds from the illicit drug trade; transactions in these sectors are hard to trace because of the sustained high cash flow. Although banks have employed CDD, transaction monitoring, and external systems to support their monitoring, they reported numerous instances of attempted laundering. While banks do have risk managers on staff, these positions often are not sufficient to thwart all threats.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, politically exposed persons. Supervision of DNFBPs remains limited. The FIU has continued outreach activities to, and registration and inspections of DNFBPs.



Suriname's FIU is not a member of the Egmont group of FIUs. The FIU is developing further technical skills with donor assistance.

The government staffed the gaming board, but there is still little effective supervision of the large casino sector.

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

On July 23, 2021, President Chandrikapersad Santokhi signed the law approving the accession of the Republic of Suriname to the *United Nations Convention Against Corruption (UNCAC)*. Suriname became a party to the *UNCAC* on November 18, 2021.

In March 2021, Suriname's tax authorities and the Attorney General's Office (AGO) signed a cooperation agreement to exchange information. Early in the last quarter of 2020, the AGO implemented an anti-corruption unit, consisting of prosecutors and a special investigation police unit. The police within the unit report directly to prosecutors.

The AGO's office prosecuted three money laundering cases in 2021. On February 6, 2020, former central bank governor Robert van Trikt was arrested for violations of the *Money Laundering Act*. On October 15, 2021, the sentencing recommendation for van Trikt was lowered after the presiding judge disallowed an additional charge of taking part in a criminal organization. Former finance minister Gillmore Hoefdraad is facing up to 12 years in prison and a fine of approximately \$23,100 (Suriname dollars (SRD) 500,000) for his part in the van Trikt fraud case. A sentencing hearing is scheduled for November 2021; however, Hoefdraad has been a fugitive since July 2020. In July 2021, the INTERPOL issued a Red Notice alert for Hoefdraad, but no reports of his possible location have been filed.

## **Tajikistan**

### **OVERVIEW**

Money laundering in Tajikistan is associated with criminal activities such as corruption, bribery, embezzlement, and drug trafficking. Tajikistan serves as the main transit country for Afghan opiates smuggled to Russia, Belarus, and some European countries. Recently, Tajikistan has made significant efforts to improve its anti-money laundering/combating the financing of terrorism (AML/CFT) regime to reduce the risk for money laundering and terrorist financing.

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

Tajikistan shares an 835-mile border with Afghanistan, the world's largest illicit opium producer. Opiates and cannabis exit Afghanistan across the shared border with Tajikistan, moving to markets in Russia, Belarus, and onward to Europe. Experts assess that a major source of funds to be laundered come from drug trafficking. Tajikistan's location makes it susceptible to terrorism and terrorist financing.

Corruption and bribery may also be major sources of criminal funds. Remittances and trade with countries ranked high for terrorist financing risk present vulnerabilities for money laundering as well. According to the World Bank, in 2020, remittances from migrant workers comprised 26.7 percent of GDP. Criminal groups most likely launder illicit proceeds through Tajikistan's banking sector. Transactions in real estate may also serve as mechanisms to launder money.

There are four active free economic zones in Tajikistan: Sughd, Panj, Dangara, and Ishkoshim. These free economic zones are based on manufacturing, and it is unclear what, if any, role the zones play in national or international money laundering.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Tajikistan has in place an AML/CFT legal framework. In recent years, Tajikistan has adopted and enacted several AML/CFT laws and regulations. A presidential decree approved the *National AML/CFT /Proliferation Financing Concept 2018-2025*. The Tajik government has amended laws related to AML/CFT to comply with international standards. The Tajik government's AML/CFT legal framework mandates reforms by key agencies to prevent money laundering, but implementation is mixed. The Anti-Corruption Agency is the lead agency for combating money laundering. The Tajik Drug Control Agency is responsible for combating drug-related money laundering.

The Tajik financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Mutual-Evaluation-Report-Republic-Tajikistan-2018.pdf>.

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

Tajikistan has made some improvements in its national AML/CFT system in recent years and continues to address the full range of recognized AML/CFT issues.

An international donor is providing technical assistance designed to support the National Bank of Tajikistan's (NBT) reform efforts to strengthen controls against money laundering and terrorist financing.

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

It is difficult to assess the effectiveness of money laundering investigations in Tajikistan. The NBT has not yet provided the statistics about money laundering in 2021. All Tajik law enforcement agencies (the Ministry of Internal Affairs, the Anti-Corruption Agency, the Drug Control Agency, the State Committee for National Security, and the Prosecutor General's Office) are involved in detecting and investigating money laundering. The level and quality of cooperation and coordination among these agencies could be improved through training, information sharing, and the establishment of multi-agency task forces.

Tajikistan is challenged by pervasive corruption, which serves as both a source of illicit funds and a mechanism to prevent investigations. While training and other resources are needed to combat money laundering, Tajikistan should also take action to reduce corruption by developing and fully implementing a comprehensive anticorruption strategy, which would help deter money laundering.

## Tanzania

### OVERVIEW

Tanzania has established institutional frameworks and introduced several laws to address money laundering and terrorism financing. The financial intelligence unit (FIU) is recognized in Zanzibar as the national center for receiving suspicious transaction reports (STRs), analysis, and dissemination of reports to law enforcement agencies.

Tanzania is vulnerable to money laundering and financial crimes due to its underdeveloped financial sector and limited capacity to address such criminal activity. Criminal activities with a money laundering nexus include transnational organized crime, tax evasion, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, wildlife trafficking, and terrorism. There continue to be high-profile arrests for money laundering; however, few cases result in convictions. In recent years, under the previous administration, the Government of Tanzania leveraged money laundering laws to jail journalists, activists, and others without bail. The use of these laws for political purposes dilutes their efficacy in combating real crime. The current administration is encouraged to commit to enforcement of money laundering laws in an even and transparent manner, and to build capacities among key stakeholders in the financial, law enforcement, customs and tax collection, and judicial sectors.

### VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Tanzania's large, porous borders and geographic position present challenges in combating financial crimes. Most Tanzanians work in the informal sector, and thus use cash-based, informal, and nontraditional financial systems. Over the past several years, under the previous administration, the Tanzania Revenue Authority dramatically 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. There has been an increase in the purchase of financial institutions in Tanzania, including banks, to be used as complicit financial institutions in financial crimes.

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. Tanzania's international seaports and other smaller ports create opportunities for trade-based money laundering (TBML).

Foreign investment in the tourism sector in Zanzibar and real estate in both mainland Tanzania and Zanzibar are also used for money laundering. The most recent national risk assessment on money laundering and terrorist financing for Tanzania, dated December 2016 and covering the period of 2010-2015, was published in April 2019; the report identifies these same sectors as “high-risk.”

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The *Anti-Money Laundering (Amendment) Regulations of 2019* introduce stricter STR requirements, know your customer (KYC) identity document requirements, requirements to carry out money laundering and terrorist financing risk assessments, comprehensive customer due diligence (CDD) requirements, and increased fines for noncompliance. The June 2019 *Foreign Exchange Regulations* tighten supervision of foreign exchange bureaus and make it more difficult to obtain a license. The *Miscellaneous Amendments Bill No. 7*, passed in November 2019, includes an amendment to the *Prevention of Terrorism Act*, which enables the Minister of Finance and Planning to make regulations on the prohibition of terrorist financing.

Other relevant legislation and regulations include the *Criminal Procedure Act*; *Economic and Organized Crime Control Act*; *Mutual Legal Assistance in Criminal Matters Act*; and the *Proceeds of Crime Act*. The law allows for mutual legal assistance (MLA) requests and enforcement of foreign forfeiture orders, but still does not provide for asset sharing.

Zanzibar has its own *Anti-Money Laundering and Proceeds of Crime Act* and regulations. Both the mainland and Zanzibar have KYC and STR regulations, which also carry strict noncompliance penalties.

Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group of FIUs, of which the Tanzanian FIU is a member.

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Tanzania’s most recent mutual evaluation report 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**

While Tanzania has strengthened its AML regulations, 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 adequately address problems related to non-conviction-based forfeiture. Regulations provide for a risk-based approach (RBA) to KYC and CDD requirements, however, the RBA has not yet been adopted and implemented. Improvements to legal frameworks addressing financing terrorism and weapons of mass destruction, TBML, mobile money, and cryptocurrencies are necessary.

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**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 crimes.

## 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 and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country's informal financial channels.

**VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES**

Funds from various illegal industries are transported across Thailand's 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, including through local gold shops.

**KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Thailand's 1999 *Anti-Money Laundering Act B.E. 2542 (AMLA)* has been amended several times, 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 customer due diligence (CDD) and suspicious transaction reporting (STR) requirements. The Anti-Money Laundering Office (AMLO) acts as the country's financial intelligence unit (FIU). It is responsible for supervision of all reporting entities and is the key anti-money laundering/combating the financing of terrorism (AML/CFT) enforcement agency.

Thailand has been preparing to amend the *AML* and the *Counter Terrorism and Proliferation of Weapons of Mass Destruction Financing Act B.E. 2559 (CFTPF Act)* to be consistent with international standards since 2019, though COVID-19 has stalled progress. Draft revisions to *AML* would expand the definition of covered “financial institutions” to include financial technology services companies. The definition of “profession” would also be expanded to include lawyers and accountants, who are not currently subject to CDD requirements. The key proposed amendment to the *CFTPF Act* would create a channel for domestically-designated persons to submit petitions for reconsideration and delisting to the United Nations Security Council via Thailand’s Ministry of Foreign Affairs.

The Thai Securities and Exchange Commission (SEC) supervises the operations of crypto and other digital exchanges and intermediaries. Virtual currencies, digital tokens, and any other electronic data unit as specified by the SEC are covered under the law. Exchanges, brokers, and dealers are required to apply for licenses from the Finance Ministry, and the SEC must approve initial coin offering portals.

Thailand has varying reporting requirements for the import and export of currency depending on the source and destination jurisdictions. At airports, foreign or Thai baht (THB) currency/coins or negotiable monetary instruments with aggregate amounts exceeding approximately \$15,000 (THB 450,000) must be declared to customs. Approval from the Bank of Thailand is required to take Thai currency (cash) in amounts exceeding approximately \$1,700 (THB 50,000) out of the country. The threshold is higher at approximately \$61,500 (approximately THB 2 million) 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 but must be transferred into an authorized bank and either exchanged into Thai baht or held in a foreign currency account. Any person purchasing, selling, depositing, or withdrawing foreign currencies with an authorized bank in an amount of \$50,000 or above shall be required to report such foreign exchange transactions.

The AMLO is a member of the Egmont Group of FIUs, and Thailand is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 *AML*’s compliance regime should be applied more strictly to these money service businesses to deter their use as money laundering vehicles. International experts identified several deficiencies in the current *AML/CFT* legal and regulatory regime, including the absence of measures requiring foreign trustees to disclose their status to financial and non-financial institutions, a lack of information sharing from some non-financial institutions, and insufficient identification and assessment of money laundering/terrorist financing risks arising from new technologies.

### **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 several suspected human trafficking cases. From January to September 2021, there were 119 prosecutions and 40 convictions. In 2020, there were 113 prosecutions and 147 convictions.

The United States and Thailand have a mutual legal assistance treaty in place. Thailand actively shares information with international partners, including the United States. Thailand has some difficulty sharing information with jurisdictions that require separate memoranda of understanding outside of the Egmont Group of FIU information-sharing process.

## Trinidad and Tobago

### OVERVIEW

Trinidad and Tobago's geographic location in the southern Caribbean, developed financial systems, and use by criminal organizations as a transshipment point for narcotics and other illicit goods makes it vulnerable to money laundering.

In 2021, Trinidad and Tobago made progress towards strengthening its anti-money laundering/combating the financing of terrorism (AML/CFT) regime, including strengthening its legislative framework and investigating and prosecuting suspected cases of money laundering. In 2021, Trinidad and Tobago started its second national risk assessment (NRA) exercise with donor support and passed new laws regulating the gaming industry and allowing for mutual legal assistance requests from non-Commonwealth nations.

Despite some progress on judicial reform, existing vulnerabilities related to the country's slow judicial system, prevalence of drug trafficking, corruption, and illegal gaming are reasons for concern.

### 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 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.

Narcotics-related money laundering trends include the use of businesses and third party individuals to transfer funds to foreign jurisdictions via the use of wire transfers and debit bankcards, the comingling of accounts between individuals and their businesses for the purposes of tax evasion, the establishment of offshore companies and accounts in jurisdictions that offer

offshore banking and/or international business facilities, and the use of remittance services to transfer funds to suspected source countries.

Public casinos and online gaming are illegal but there are numerous illegal gaming enterprises operating in the country. Illegal lotteries are also widespread and by some measures have a larger market share than the state lottery.

Trinidad and Tobago does not have an offshore banking sector, nor an economic citizenship program. Trinidad has free trade zones (FTZ), but the 16 companies operating within FTZs account for a modest portion of total exports.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Trinidad and Tobago has comprehensive customer due diligence and suspicious transaction reporting regulations and requires enhanced due diligence for politically exposed persons.

In March 2021, Trinidad and Tobago incorporated technical assistance from an international donor to begin its second NRA exercise focusing on money laundering and terrorist financing techniques. The second NRA seeks to evaluate a wide array of strategic and emerging issues including risks related to virtual assets, natural resources, and extractive industries.

Trinidad and Tobago is party to a mutual legal assistance treaty (MLAT) with the United States. In 2021, the Parliament passed a mutual assistance in criminal matters law that allows Trinidad and Tobago to provide legal assistance to non-Commonwealth countries with which it does not have existing MLATs.

In July 2021, the Parliament passed the *Gambling (Gaming and Betting) Control Act 2021*, which allows the regulation and control of gaming and betting with the aim of preventing corrupt actors from accessing the gaming sector by enacting a licensing process. The law is only partially proclaimed (enacted). The law establishes a gaming commission to regulate the industry and, while that part of the law has been enacted, the government has not yet set up or staffed the commission.

Trinidad and Tobago's financial intelligence unit (FIU) is a member of the Egmont Group of FIUs. Trinidad and Tobago is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report 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 increases the attractiveness of financial crimes. However, the Trinidad and Tobago government is undertaking reforms aimed at speeding up the lengthy judicial process, which in the long term may lead to increased prosecutions of serious crimes, including money laundering.



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

In 2021, Trinidad and Tobago continued to make progress in strengthening its AML/CFT regime. In August 2020, the government established a criminal justice unit within the Office of the Attorney General to develop legislation and policies to improve the functioning of the notoriously slow judicial system. The Office of the Director of Public Prosecutions and the Trinidad and Tobago Police Service have established specialized financial prosecutorial and investigative units that coordinate closely on financial crimes matters. In 2021, Trinidad and Tobago charged three persons for money laundering, with a cumulative value of approximately \$4.65 million. The government also successfully forfeited approximately \$110,000 in the same period. There are currently 67 forfeiture applications before the courts with a total value of nearly \$2.6 million.

Nonetheless, Trinidad and Tobago still has deficiencies in its AML/CFT regime and the government should dedicate the necessary resources to implement reforms aimed at countering money laundering. Trinidad and Tobago should also demonstrate sustained political will to combat corruption, including increasing the usage of unexplained wealth order provisions and taking further steps toward improving the functioning of the criminal justice system.

## **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 complicate Turkey's efforts to combat illicit finance. Conflicts close to Turkey's southern border create further challenges as Turkey is a hub for unregulated money remitters, many of which serve the more than four million refugees in Turkey.

Turkey's anti-money laundering/combating the financing of terrorism (AML/CFT) legislation largely is in line with international standards. However, weak implementation continues to result in few effective money laundering prosecutions and forfeiture actions. Most forfeiture actions are focused on suspected followers of U.S. resident Fethullah Gulen, known as the Gulen movement – a group the Government of Turkey has designated as a terrorist organization. However, in 2021 Turkey used its new, streamlined procedures to quickly effect an asset freeze action in relation to U.S.-designated persons and entities.

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

Turkey's national risk assessment identifies drug trafficking, migrant and fuel smuggling, and human trafficking as the crimes that pose the highest money laundering risks. Turkey is part of the Balkan route used to smuggle illegal opiates from Afghanistan into Europe and a corridor for smuggling and trafficking migrants out of Syria and Iran. Front and shell companies are used to

disguise illicit proceeds as legitimate income. Turkey has seen a rise in potential money laundering through online streaming services.

Turkey has served as a hub for the proliferation and trafficking of sensitive technologies and weapons due to its proximity to countries attempting to circumvent international laws. Although a new law tightens restrictions on equipment, materials, and technologies related to proliferation, its enforcement has been unclear, while Turkish authorities have used it to scrutinize legitimate civil society activities.

The 2019 U.S. criminal case against majority state-owned bank Halkbank, which charges fraud, money laundering, and conspiracy for allegedly illegal transfers of around \$20 billion to Iran in violation of U.S. sanctions, is still pending trial.

Unlicensed money remitters are known to move bulk cash and use their bank accounts to move illicit proceeds through the financial system. Although the central bank began licensing and supervising payment service providers and electronic money institutions in 2020, Turkey-based money services businesses remain largely unregulated and only a few have been penalized for AML/CFT violations.

Turkey is a destination for illicit proceeds from cyber fraud perpetrated in the United States. Additionally, virtual currency remains insufficiently regulated and supervised. In a May 3, 2021 presidential decree Turkey added cryptocurrency trading platforms as covered entities under the AML/CFT regulations. The decree makes “crypto asset service providers” responsible for seeing their assets are not used illegally.

Turkey lacks the legislation or methodologies to effectively combat money laundering through casinos linked to Northern Cyprus. U.S. law enforcement has tracked increasing amounts of illicit proceeds flowing from Istanbul to the “Turkish Republic of Northern Cyprus” (a state only Turkey recognizes) and back into financial institutions in Turkey.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Turkey’s criminalization of money laundering and legal authority for asset forfeiture are mostly in line with international standards. Turkish legislation mandates customer due diligence (CDD) and suspicious transaction reporting (STR). The Financial Crimes Investigation Board (MASAK), Turkey’s financial intelligence unit (FIU), is the AML regulatory and supervisory authority. MASAK mainly relies on the prudential regulatory and supervisory authorities for onsite examinations.

Turkey enacted *Law No. 7262* aimed at preventing the financing of weapons of mass destruction on December 27, 2020. Turkey further overhauled and updated its AML/CFT regulations, related compliance obligations, and implementation procedures in a regulation pursuant to *Law No. 7262* published in the official gazette on February 26, 2021. On July 12, 2021, three new guidelines on beneficial ownership, enhanced due diligence (EDD) measures, and trusts were published on MASAK’s website.

MASAK is a member of the Egmont Group of FIUs. Turkey is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/#Turkey>.

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

Turkey lacks sufficient policy and program coordination. On July 17, 2021, Turkey promulgated its *2021-2025 AML/CFT Strategy*, but it has not been implemented across all stakeholders using a risk-based approach. Its conclusions have been shared with designated non-financial businesses and professions and financial institutions and will be used to develop and refine AML strategies and policies.

Many smaller-scale and non-bank financial institutions apply CDD procedures insufficiently. Although there is no explicit EDD obligation when doing business with politically exposed persons (PEPs), financial institutions are required to implement EDD for high-risk groups, and, reportedly, most financial institutions regard PEPs as high-risk.

Inspections of non-profit organizations (NPOs) includes AML/CFT. In 2021, MASAK created a methodology to assess NPO risk levels, finding 170 out of over 120,000 associations are considered high risk. The audits have been disproportionately used to target NPOs that receive Western funding and focus on human rights issues.

Turkey does not have effective asset sharing provisions as part of its forfeiture laws.

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

Since 2013, the number of money laundering prosecutions and convictions has been disproportionately small compared to the volumes of STRs and predicate crime investigations. MASAK reports there were 237,531 STRs filed in 2020, 463 money-laundering investigations, 104 prosecutions, and 18 convictions. These figures are similar to those seen in 2018 and 2019.

## **Turkmenistan**

### **OVERVIEW**

Turkmenistan is not a regional financial center and is relatively isolated from the global financial system. Apart from the Central Bank of Turkmenistan, there are eight domestic banking institutions. Three foreign commercial banks have operations in Turkmenistan. Deutsche Bank and Commerzbank also have representative offices in Turkmenistan and provide bank guarantees to companies; they do not offer retail banking services. Deutsche Bank is the primary bank for conducting international transactions with Turkmen banks and provides guidance and monitoring on anti-money laundering/combatting the financing of terrorism (AML/CFT) measures. Turkmen citizens, to include government officials and their extended families, are known to have offshore accounts with little public scrutiny or accounting. Limitations on foreign currency exchange make converting the local currency (manat) into foreign currency very difficult.

## **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. The recent takeover of power in Afghanistan by the Taliban might worsen the situation with border security and drug trafficking, which could lead to an increase in money laundering. There are no official or independent reports indicating this to be the present case, however. Gasoline, tobacco products, and other commodities are routinely smuggled across the borders in a systematic way, although there is no available information on cash smuggling.

Digital technologies are being introduced in Turkmenistan's banking system, especially cashless payments. The number of non-cash payments using the internet and bank cards is increasing, which should lead to a reduction of opportunities for money laundering. Much of Turkmenistan's wealth is kept offshore and little is known about these holdings.

The Awaza Tourist Zone (ATZ) promotes development along the 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 ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

On January 25, 2019, in order to better combat economic crimes and strengthen law enforcement agencies, the president signed a decree to merge the State Service for Combating Economic Crimes with the Ministry of Internal Affairs. The Financial Monitoring Service (FMS), within the Ministry of Finance and Economy, serves as Turkmenistan's financial intelligence unit (FIU).

Turkmenistan has customer due diligence and suspicious transaction reporting (STR) regulations. The United States does not have a mutual legal assistance treaty with Turkmenistan.

The FMS is a member of the Egmont Group of FIUs. Turkmenistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Turkmenistan's most recent mutual evaluation report is available at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

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

Lack of transparency, storage of wealth offshore, widespread or endemic corruption, and a lack of investigative capacity all impact the supervision and regulation of financial institutions and the implementation of AML laws and regulations in Turkmenistan. Serious enforcement efforts are necessary to combat money laundering, and the government should accelerate reforms that will make Turkmenistan's AML regime compliant with international standards.

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

The lack of government transparency makes it extremely difficult to get information on money laundering, and there were no reports of prosecutions or convictions for money laundering in 2021. Turkmenistan's legal system provides protection and exemption from liability for financial institutions filing STRs with the FMS and sets limitations on the disclosure of information financial institutions obtain in performing their AML obligations.

Between January and September of 2021, the FMS reported it sent information on six cases to law enforcement agencies of Turkmenistan for further action. The FMS also sent 117 pieces of information about individuals and legal entities to law enforcement agencies and relevant sectoral departments of Turkmenistan and corresponded 71 times with the financial intelligence services of foreign states on cases related to AML/CFT and counter-proliferation financing (CPF). The FMS also reported three AML/CFT/CPF cases on which it is cooperating with the United States.

In 2021, international donors conducted seminars on AML/CFT best practices for law enforcement agencies, supervisory bodies, and other relevant government and non-governmental agencies. The seminars focused on the exchange of experience and lessons learnt in implementing national and international AML/CFT standards. The *National Risk Assessment Report on AML/CFT* recognizes a continued need for capacity building for law enforcement, customs, and border authorities to enable them to better recognize and combat money laundering.

## **Ukraine**

### **OVERVIEW**

Money laundering remains a significant problem in Ukraine. Public corruption is the primary source of laundered funds. Ineffective state institutions allow criminal proceeds to go undetected. Launderers use shell companies and foreign bank accounts to avoid detection and integrate laundered money into legal businesses.

Legislation in 2021 reinstates anticorruption procedures previously overturned by the Constitutional Court of Ukraine (CCU) and strengthens the independence of the National Anticorruption Bureau of Ukraine (NABU). The NABU investigates and the Specialized Anti-Corruption Prosecutor's Office (SAPO) prosecutes money laundering and its predicate offenses as a mechanism for pursuing high-level corruption. Pressure from vested interests exerting influence through members of Parliament and the judiciary, including the CCU, pose a significant threat to Ukraine's institutional anticorruption architecture.

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

Ukraine remains a transit country for drugs and other contraband trafficked to western and central Europe. Transnational organized crime syndicates launder illicit profits in Ukraine.

Ukraine's large shadow economy and heavy reliance on cash represent significant vulnerabilities. Corruption enables and exacerbates money laundering.

Sources of illicit proceeds include corruption; tax evasion; fraud; trafficking in drugs, arms, and persons; prostitution; and cybercrime. Illicit proceeds are laundered through real estate, insurance, financial and non-financial institutions, fictitious enterprises, gaming establishments, luxury items, and bulk cash smuggling.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Ukraine has a sufficient legal framework for the prosecution of money laundering and cooperation with international partners. Ukraine requires disclosure of beneficial ownership. The State Financial Monitoring Service (SFMS), Ukraine's financial intelligence unit (FIU), monitors AML/combating the financing of terrorism (CFT) efforts. The National Bank of Ukraine (NBU) has taken steps to close banks owned by oligarchs who used them for fraud and laundering activities. The Asset Recovery Management Agency (ARMA) finds, traces, and manages assets derived from corruption and other crimes.

In 2020, Ukraine legalized gaming after an 11-year ban. Licensed gaming operators are required to identify clients and verify the source of their funds in certain cases.

The new AML law, effective in 2021, mandates a risk-based approach, strengthens due diligence and disclosure requirements, and adds auditors, accountants, tax consultants, real estate brokers, precious metals or stones dealers, and gaming providers to those supervised by the Ministry of Finance for AML/CFT compliance. Separately, in 2020, the NBU was also given additional regulatory authority over non-bank financial institutions and has sanctioned entities engaged in improper transactions.

In 2020, decisions by the CCU halted the processing of public officials' asset declarations, the legal basis for illicit enrichment investigations, and found provisions of the law establishing NABU to be unconstitutional. Parliament passed legislation that addressed the CCU's decisions on asset declarations in December 2020 and adopted a new NABU law on October 19, 2021 to bolster the institution's independence and address the CCU ruling.

Ukraine and the United States have a bilateral mutual legal assistance treaty but do not have an extradition treaty. Ukraine will extradite non-Ukrainian nationals to the United States pursuant to its domestic law.

The SFMS is a member of the Egmont Group of FIUs. Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-ukraine-2017.html>.

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

International experts indicate Ukraine needs to improve its financial sanctions related to terrorism and proliferation, regulation and supervision of designated non-financial businesses and professions, and maintenance of AML/CFT statistics. The SFMS continues to recommend registries of bank accounts and safe deposit boxes and improvements in the regulation of virtual asset transactions, real estate brokerages, and foreign trusts.

A two-year gap in ARMA's permanent leadership has hampered its ability to effectively manage assets. The selection of a qualified individual to head the agency and the adoption of a public register of managed assets are urgent priorities.

Supervisory authorities, other than banking and securities regulators, often appear unable or unwilling to verify whether covered entities are beneficially owned or controlled by criminal elements. Significant improvements are required on the part of non-bank supervisory authorities, including the Stock Exchange Commission and Ministries of Justice, Finance, and Digitalization.

In late 2020, Parliament registered a draft bill proposing to limit the period of heightened scrutiny of PEPs to one year. If adopted, this would undermine Ukraine's compliance with international standards.

In June, the Parliament passed laws establishing a program that allows a level of amnesty for the payment of taxes on previously undeclared assets or income during a one-year period beginning September 1, 2021.

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

The NABU and SAPO are taking actions against current high-level officials and related individuals for corruption, but efforts have been hampered by the lack of an independent specialized anticorruption prosecutor (SAP) to head the office. The selection proceedings for a new SAP have been undermined by external interference and repeated attempts to delay or invalidate the process. Unreformed agencies with mandates to combat corruption have had limited effectiveness in holding officials accountable for lower-level corruption.

Ukraine should address fictitious entrepreneurship, the shadow economy, beneficial ownership opacity, and the reliance on cash, all of which are money laundering risks. The government also needs to address cross-border risks and risks posed by non-profit organizations and legal persons.

The state judicial administration reported 21 convictions for money laundering crimes in 2020.

## **United Arab Emirates**

### **OVERVIEW**

The United Arab Emirates (UAE) is an international hub for trade and financial activities. Additionally, the overlapping yet distinct jurisdictional regimes for supervision and enforcement

across the seven emirates and disparate commercial and financial free zone systems within the UAE create exposure to regulatory arbitrage.

In recent years, the government has taken steps to enhance its anti-money laundering/combating the financing of terrorism (AML/CFT) program. Relevant authorities are focusing on streamlining internal mechanisms to improve the interagency decision-making process, enhancing investigative efforts, and proactively implementing and enforcing related laws.

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

The UAE is a transshipment point for illegal narcotics and a pass-through for proceeds of drug sales. Funds are laundered primarily through banks, money or value transfer services (MVTs), dealers in precious metals and stones, and real estate. The numerous exchange houses, hawaladars, and general trading companies increase potential for bulk cash smuggling, trade-based money laundering, abuse of corporate structures, laundering of proceeds of foreign predicates, and transfer of funds for illicit activity elsewhere.

The UAE has an extensive offshore sector, including two financial free zones (FFZ) and more than 37 free trade zones (FTZs). The FTZs host over 5,000 multinational companies and thousands more individual trading companies. Though UAE law prohibits shell companies, FTZs present a significant gap in regulatory oversight and many de facto shell companies exist. FTZs benefit from special tax, customs, and import regimes and are governed by their own regulatory framework. FTZs are often a permissive environment for unidentified, under-regulated, or under-supervised entities, such as general trading companies, to operate. Because the FFZs and FTZs are independently regulated, the UAE's federal authorities exercise limited oversight.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS, REGULATIONS**

In February 2021, the UAE Council of Ministers approved the launch of the Executive Office of AML and CFT to enhance interagency AML/CFT coordination. The Executive Office reports directly to the Higher Committee overseeing the UAE's National AML/CFT Strategy (the Higher Committee) and oversees the implementation of the national action plan. Also in 2021, the Ministry of Economy (MOE) instructed non-financial businesses, including brokers and real estate agents, dealers of precious metals and stones, auditors, and corporate service providers, to register to enable monitoring and transaction reporting.

In March 2021, the National AML/CFT Committee (the Committee) endorsed the first edition of the *National Manual on Financial Intelligence, Financial Investigation and Money Laundering Investigation*. The manual aims to increase the UAE's AML/CFT effectiveness by adopting a unified national approach. The Committee also approved countermeasures for businesses in high-risk countries. In 2021, per *Cabinet Resolution Number 34 of 2020*, the MOE initiated a process to identify beneficial owners of all establishments, except government-owned companies, registered in the UAE, FFZs, and FTZs and update its national economic registry.



In 2021, the Central Bank of the UAE (CBUAE) issued new guidance for licensed financial institutions (LFIs) that provide services to cash-intensive businesses, such as the real estate and precious metals and stones sectors. LFIs are required to perform customer due diligence and file suspicious transaction reports (STRs) with the financial intelligence unit (FIU). In August 2021, CBUAE issued new guidance requiring registered hawala providers to hold a CBUAE-issued certificate and establish and maintain an effective AML/CFT compliance program.

In October 2021, the UAE drafted a new fundraising law for non-profit organizations (NPOs), the *Fundraising Regulatory Law*, which aims to govern charitable donations by NPOs, with stricter AML/CFT requirements. The proposed law calls for NPOs operating in the UAE to exercise due diligence to deter abuse by criminal actors.

The UAE does not have a mutual legal assistance treaty or bilateral extradition treaty with the United States. The UAE is a party to several multilateral law enforcement conventions with mutual legal assistance provisions.

The FIU is a member of the Egmont Group of FIUs. The UAE is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/u-z/unitedarabemirates/documents/mer-uae-2020.html>.

### **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 MVTs sector. The UAE could strengthen oversight by publicly releasing metrics on money laundering and terrorist financing prosecutions and convictions. While coverage of money laundering cases and enforcement actions has increased, government press releases do not include the names of penalized individuals, companies, or financial institutions. This limits the opportunity to create a deterrent effect by "naming and shaming."

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

The UAE continues to take steps to enhance its AML/CFT framework. Both Abu Dhabi and Dubai have established specialized courts for AML and tax evasion cases. In 2021, the CBUAE fined 11 banks a total of \$12.46 million and six exchange houses a total of \$4.71 million for failing to achieve satisfactory levels of AML/CFT compliance. In 2020, the Ministry of Justice announced the temporary suspension of 200 law firms and issued fines for failure to both appoint AML/CFT compliance officers and complete questionnaires related to AML/CFT.

In 2021, the Higher Committee launched two programs to train and certify UAE professionals on global compliance standards and procedures to fight illicit financing.

## United Kingdom

### OVERVIEW

The United Kingdom (UK) is a leader in combating illicit finance. Money laundering presents risks to the UK because of the size and sophistication of its financial system. UK law enforcement combats cash-based money laundering, the drug trade, and high-end money laundering through the financial sector and professional services. The country is implementing its *Economic Crime Plan (2019-2022)*, which includes public and private sector reform. The UK should strengthen its financial intelligence unit's (FIU) capabilities, 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 risks to the UK. The main methods of laundering are cash collection networks, professional money launderers, and money services businesses. Criminals often use professional services to disguise the origins of funds, using legal, accountancy, and company service providers to establish corporate structures for laundering purposes.

Intelligence gaps persist, particularly regarding high-end money laundering, where proceeds are held in complex trading arrangements, real estate, or other non-cash investments. Such methods are often used to launder the proceeds of major fraud and foreign corruption. UK law enforcement agencies have taken steps to fill these gaps.

### KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

The UK updated its money laundering/terrorist financing national risk assessment (NRA) in 2020 and produced its first proliferation financing NRA in 2021.

Money laundering is criminalized and can be considered a component or predicate offense of more serious crime. Tools such as unexplained wealth orders (UWOs) help identify and recover assets linked to corruption and other serious offenses. The UK has a comprehensive anti-money laundering/combating the financing of terrorism (AML/CFT) regime and participates in multilateral efforts to counter transnational financial crimes. The UK updated its AML regulations in January 2020 to implement the European Union's (EU) Fifth Money Laundering Directive. Since exiting from the EU, the UK has strengthened its AML regulations regarding correspondent banking and high-risk countries. This brought virtual assets, art market participants, and leasing agents under regulation. The *Sanctions and Anti-Money Laundering Act 2018* provides the legislative basis for the UK's sanctions regime.

The UK has led the push for beneficial ownership transparency and established registers containing information about persons who ultimately own or control UK assets, including companies, properties, land, and trusts. The company register is public, and the UK is carrying forward plans to strengthen verification of this information. The UK's Crown

Dependencies and permanently inhabited Overseas Territories have committed to adopting publicly accessible company beneficial ownership registers by 2023. The UK exchanges information about potential shell companies suspected of being misused for ML purposes with foreign law enforcement and other authorities.

The UK's FIU is a member of the Egmont Group of FIUs. The UK is a member of the Financial Action Task Force. Its most recent mutual evaluation report is available at: <https://www.fatf-gafi.org/countries/u-z/unitedkingdom/documents/mer-united-kingdom-2018.html>.

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

The UK's AML/CFT legal framework is strong. International experts have identified areas for improvement, including the FIU's insufficient resources and limited role, and weaknesses in suspicious transaction reporting. The UK, through implementation of its Economic Crime Plan, is making improvements to its risk-based supervision and implementation of AML measures within the private sector.

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

There are 25 AML supervisors of financial institutions and designated non-financial businesses and professions 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 ensure effective supervision of the legal and accountancy sectors by the professional bodies covering those sectors.

In 2020, there were 1,294 prosecutions and 836 convictions for money laundering as the primary offense in England and Wales. Statistics for Scotland and Northern Ireland are not available. UK legislation provides for conviction- and non-conviction-based confiscation. A total of \$291.2 million (£219 million) of criminal proceeds was recovered in the fiscal financial year 2020-21 from confiscation, forfeiture and civil recovery orders.

The UK is employing UWOs to require persons suspected of links to serious crime and non-European Economic Area politically exposed persons suspected of corruption to explain how they lawfully acquired their assets.

The UK maintains a publicly accessible register of company beneficial ownership information. Companies that do not provide information are subject to penalties.

The National Economic Crime Centre, hosted within the National Crime Agency, was established in 2018 and coordinates the UK's response to economic crime at home and abroad. The multi-agency initiative comprises representatives from law enforcement and government departments.

The UK is a leader in multilateral discussions and implementation of international asset recovery efforts involving proceeds of high-level corruption. In July 2019, the United States and UK established the Strategic Dialogue on Illicit Finance to facilitate strategic and

operationally focused discussions between the United States and UK on an interagency basis in order to combat money laundering cooperatively. This Dialogue convened most recently in November 2021.

## **Uzbekistan**

### **OVERVIEW**

Corruption, lack of interagency cooperation, vulnerability to political influence, staff reshuffling, and lack of technical competence impede Uzbekistan's efforts to implement anti-money laundering/combating the financing of terrorism (AML/CFT) standards. The government's unwillingness to share data makes it difficult to assess AML/CFT progress. Overall progress on AML/CFT standards is stalled despite legislative improvements.

Uzbekistan should develop a comprehensive AML/CFT strategy, based on a national risk assessment, that facilitates information sharing on investigations and prosecutions, encourages confiscation of proceeds from money laundering/terrorist financing (ML/TF) crimes, and strengthens the financial intelligence unit's (FIU) technical capacity.

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

Major sources of illicit funds in Uzbekistan include corruption, embezzlement, drug trafficking, smuggling, and fraud. Uzbekistan's location makes it vulnerable to neighboring countries' growing drug production, trafficking, terrorism, and extremism. Close family and cultural ties among people residing near border areas, facilitation of illegal border crossings, and corruption create favorable conditions for smuggling. Drug consumption and smuggling are serious problems, and illicit proceeds from narcotics trafficking provide opportunities for ML.

High rates of cash transactions, a large grey economy, an unstable national currency, high import tariffs, excessive bureaucracy, and dependency on remittances significantly raise economic risks. The banking and financial systems' lack of integration in global financial markets poses additional challenges. Securities, banking, and insurance remain under extensive government regulation, and a lack of technical expertise to counter ML/TF pervades.

Government oversight is bypassed by informal money transfers, electronic money, large cash operations, and increase in cryptocurrency transactions. Bulk cash smuggling in foreign currencies generally occurs on the borders with Kazakhstan and the Kyrgyz Republic.

Some legal entities are registered abroad to evade tax collection and conceal beneficiary identities. Illicit proceeds are often relocated to banks in offshore territories and brought back to Uzbekistan under the guise of foreign investment.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

Entities conducting financial and property transactions are required to follow internal control procedures. They are legally responsible for reporting suspicious transactions to the FIU. The central bank can levy a fine of up to 1 percent of minimal charter capital on commercial banks, microcredit organizations, and pawn shops for violating the *Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism*. Legislation requires payment processing services, electronic money platforms, and individuals trading virtual currencies to conduct customer due diligence, risk management for money laundering, and the detection of suspicious transactions.

In March 2021, the government passed a law on public procurement that requires companies participating in government procurement to disclose beneficiary information. The government is publishing procurement data on a website in an effort to ensure transparency.

In June 2021, the parliament adopted regulations related to sharing AML-related information, conducting international cooperation, and monitoring banks. The government also passed a decree on the development of an AML strategy and amended legislation on bank secrecy, allowing law enforcement to access financial information without a court order. Law enforcement bodies, with prosecutor authorization, can now access and exchange banking information for inquiry and investigation purposes and share it with respective authorities in other countries.

In 2022, the government plans to launch an asset declaration system for all public servants, which could include a requirement to collect and retain beneficial ownership information.

The United States does not have a bilateral mutual legal assistance treaty with Uzbekistan.

Uzbekistan's FIU is a member of the Egmont Group of FIUs, and Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: [https://eurasiangroup.org/files/uploads/files/other\\_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%20202010.pdf](https://eurasiangroup.org/files/uploads/files/other_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%20202010.pdf)

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

Uzbekistan's legislation partially complies with international standards and does not completely fulfill requirements of the United Nations conventions. The country's AML/CFT laws do not cover administration of asset recovery and confiscation, anticorruption safeguards for public procurement and the facilitation of payments, conflict of interest avoidance, liability of legal persons, and whistleblower protections.

There are requirements for enhanced due diligence for politically exposed persons based on a 2018 decree, though the requirements are vague and high-level officials often avoid punishment for exceeding their authority or other violations.

Uzbekistan's financial bodies lack competent AML compliance specialists, robust procedures and internal controls, risk management, comprehensive suspicious activity reporting and standards, and software technology.

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

The AML/CFT policy lacks extensive strategy and poor interagency communication, insufficient technical capabilities, frequent staff turnover, and law enforcement's susceptibility to political influence impact the effectiveness of Uzbekistan's AML/CFT regime. The government's unwillingness to share information on AML/CFT investigations and prosecutions limits engagement with other countries, although the government is interested in receiving technical assistance and training from international donors.

## **Venezuela**

### **OVERVIEW**

Venezuela is characterized by rampant illicit financial activity and endemic public corruption, which continued in 2021. Nicolás Maduro and his enablers rely on illicit activities – money laundering, drug trafficking, illegal mining, fraud, sanctions evasion, and public corruption – to help fund their activities.

Venezuela's proximity to drug-producing countries and its status as a significant drug transit country, combined with virtually nonexistent anti-money laundering (AML) supervision, enforcement, and international cooperation create a jurisdiction riddled with pervasive money laundering and financial crimes. The economy remains deeply unstable and suffers from periods of severe inflation. Liberalizing the use of U.S. dollars in the Venezuelan economy, which for years had been prohibited, has been a means to combat currency depreciation. The effective dollarization of large swaths of the economy raises concerns about the source of those dollars and who has access to them, including at up to 30 casinos that Maduro authorized to reopen in 2021.

Ongoing U.S. federal criminal court cases point to billions of dollars laundered and embezzled by regime officials, with several cases advancing in 2021. A Colombian businessman was extradited to the United States to face charges arising from his role in a corrupt scheme to steal hundreds of millions of dollars through a Venezuelan government contract to build low-income housing units. As a result of the scheme, the Colombian and his co-defendant allegedly transferred approximately \$350 million out of Venezuela, through the United States, to overseas accounts they owned or controlled.

On October 21, 2021, the U.S. Justice Department charged three Colombian nationals and two Venezuelan nationals, including the former governor of the Venezuelan state of Táchira, who is accused of receiving kickbacks from the scheme, for their alleged roles in laundering the proceeds of contracts to provide food and medicine to Venezuela that were obtained through bribes. The indictment also leaves two officials of the Economic and Social Development Bank

of Venezuela (BANDES) who took part in this corruption scheme unnamed. BANDES, a state-owned and controlled bank, was designated by the U.S. Department of the Treasury under Executive Order 13850 in 2019. As a result of the scheme, the defendants and their co-conspirators allegedly received approximately \$1.6 billion from Venezuela and transferred approximately \$180 million through or to the United States.

There have been no improvements since the U.S. Financial Crimes Enforcement Network's (FinCEN) 2019 *Updated Advisory on Widespread Public Corruption in Venezuela*, which states Maduro and his allies, through state-owned enterprises and offshore third parties, engaged in massive corruption that contributed to the dire humanitarian situation in Venezuela. FinCEN continues to assess that all Maduro-controlled bodies appear vulnerable to public corruption, money laundering, and other financial crimes; and Maduro uses control of the economy to generate significant wealth for senior political figures and associates. U.S. Presidential Executive Order 13884, *Blocking Property of the Government of Venezuela*, addresses the continued usurpation of power by Maduro and persons affiliated with him as well as human rights abuses and the undermining of the interim government and the legitimately elected Venezuelan national assembly.

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

Money laundering is widespread in Venezuela, including through government currency exchanges, the petroleum industry, illegal mining, and government contracts; and to a lesser extent, through commercial banks, gaming, real estate, agriculture, livestock, and securities. Schemes related to trade-based money laundering and drug trafficking activities remain common and profitable. Press reporting indicates hundreds of millions of dollars of gold and other metals were smuggled out of Venezuela and shipped to third countries to skirt U.S. financial sanctions. A robust black market continues to function through the porous border regions with Colombia, and to some extent Brazil, via the smuggling of commodities.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

The *Organic Law Against Organized Crime and Financing of Terrorism* lacks important mechanisms to combat domestic criminal organizations, as it excludes the state and its companies from the scope of investigations. Maduro and his allies used AML and anticorruption laws as tools to suppress and intimidate political opposition, the private sector, and non-governmental organizations – including those that provide humanitarian assistance.

Venezuela's financial intelligence unit (FIU), the National Financial Intelligence Unit (UNIF), is a member of the Egmont Group of FIUs. Venezuela is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation report is available at: <https://www.cfatf-gafic.org/index.php/member-countries/venezuela>.

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

Maduro-controlled entities responsible for combating money laundering and corruption are ineffective and lack political will to address this situation. Their technical capacity and willingness to address financial crimes remain deeply inadequate. Further, such authorities are complicit in financial crime. A politicized judicial system further compromises the legal system's effectiveness and impartiality.

The UNIF is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. FinCEN's 2006 suspension of information sharing with the UNIF remains in effect after an unauthorized disclosure of shared information. Since then, FinCEN has not been assured 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. Maduro and his allies maintain many off-budget accounts in foreign currencies that lack transparency and oversight, making them vulnerable to corruption.

## **Vietnam**

### **OVERVIEW**

Vietnam made minimal progress in reducing the risks of money laundering during 2021. Systemic vulnerabilities, including extensive use of cash, minimal bank scrutiny on suspicious transactions, corruption, long and porous borders, and inadequate customs enforcement, combine with regulatory deficiencies and poor interagency coordination to hinder an effective anti-money laundering/combating the financing of terrorism (AML/CFT) regime.

Vietnam has made some improvements, including the issuance of a proposal for stakeholders' consultation to amend the 2012 *Anti-Money Laundering Law* (AML Law). The proposal addresses intended revisions of the current AML Law in line with international standards. The Vietnamese government should prioritize the development of overall AML capabilities; undertake more parallel money laundering investigations during predicate crime investigations; improve coordination among the State Bank of Vietnam (SBV), the Ministry of Public Security, and the Ministry of Finance; and enhance communication between the government and banks.

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

Vulnerabilities include purchases of Vietnamese assets by foreign entities seeking to avoid tax obligations in their countries of origin, corruption, fraud, illegal gaming, prostitution, counterfeiting of goods, and trafficking in persons, drugs, and wildlife. Remittances from Vietnamese organized crime groups abroad also represent vulnerabilities.



Vietnam remains a predominantly cash-based economy. Consumers routinely purchase high-value items with cash, including real estate, investment stakes, and luxury items. Foreign entities can easily transfer significant amounts of money into Vietnamese financial institutions and do not typically have to answer questions on the money's provenance.

The banking system remains vulnerable to money laundering through falsified declarations and customs fraud. Over- and under-invoicing of imports and exports are not uncommon and represent vulnerabilities to trade-based money laundering.

Currently, Vietnam has nine licensed casinos, including an additional casino starting its operation recently; all but one exclusively serve foreign visitors. In January 2019, the government initiated a three-year pilot program allowing Vietnamese nationals to gamble at one casino in Phu Quoc and will assess the outcome to determine whether additional casinos will be open to Vietnamese nationals in the future. Authorities must ensure these establishments effectively implement and enforce AML standards. Online gaming is illegal.

### **KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS**

In January 2021, SBV published a proposal for stakeholders' consultations to amend the AML Law. The proposal generally describes the intended revisions of the current law, to include expanding the scope of reporting subjects for AML/CFT purposes, requiring covered entities to regularly assess the money laundering and terrorist financing risks, perform customer due diligence (CDD) procedures, and file suspicious transaction reports.

Vietnam does not have an extradition treaty or mutual legal assistance treaty with the United States, though Vietnam is a signatory to several multilateral conventions that permit international cooperation. The U.S.-Vietnam Customs Mutual Assistance Agreement entered into force in 2020.

Vietnam is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body. Vietnam's most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/countries/u-z/vietnam/documents/mutualevaluationofvietnam.html>.

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

While Vietnam's laws comply with some international best practices on AML, the government needs to improve overall operational effectiveness by addressing gaps in understanding of risk and strengthening AML supervision. Gaps in understanding of risk include virtual assets, virtual asset service providers, foreign trusts, and predicate offenses. AML supervision is very limited.

Only the banking, insurance, and securities sectors and, to a limited extent, the gaming sector, have been subject to AML supervision. However, the scope of this supervision has been narrow. Regulations that require information from customers whose transactions originate abroad or may be suspicious are weakly enforced, and sometimes the government does not communicate changes in relevant legislation to banks operating in Vietnam. Banks need to fully implement CDD and know your customer guidelines.

Although Vietnam requires in- and outbound travelers to declare cash and other valuables, inconsistent enforcement, a lack of specificity in the law, and a lack of a universal declaration form facilitate the flow of illicit moneys into and out of Vietnam. Vietnam also needs to improve its detection, interdiction, and prosecution of offenses related to bulk cash smuggling and trafficking of illegal narcotics, persons, and wildlife.

SBV's financial intelligence unit (FIU) is not a member of the Egmont Group of FIUs.

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

For Vietnam to make significant progress on AML, the country will need improved interagency communication and better international coordination. Cumbersome bureaucratic procedures, including the fact interagency coordination requires signed memoranda of understanding, impedes whole-of-government efforts. A lack of resources and money laundering (ML) investigation capacity hinder parallel money laundering investigations during predicate crime investigations. The Ministry of People Security, as the primary ML investigation agency, does not have a dedicated investigation team to target ML activities and lacks the capacity to perform complex financial investigations.

Vietnam has a National AML/CFT Coordinating Committee. The government's most recent AML/CFT action plan expired in 2020. There have been only three ML prosecutions from 2011-2021. During 2020, Vietnam investigated 28 people for money laundering offenses all connected to one overall racketeering case, but then prosecuted the case for a predicate offense and has yet to make a determination on prosecution of the money laundering offenses.

