



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

International Narcotics Control Strategy Report

Volume II

Money Laundering

March 2021



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Common Abbreviations

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

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

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

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 that 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 trade-based money laundering (TBML, defined below), “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 FATF recommendation, countries should establish a currency declaration system that applies to all incoming and outgoing physical transportation of cash and other negotiable monetary instruments.

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

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

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

Egmont Group of FIUs: The international standard-setter for Financial Intelligence Units (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 the Financial Action Task Force (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’s recommendations. Mutual evaluations are one of the FATF’s/FSRB’s primary instruments for determining the effectiveness of a country’s AML/CFT regime.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Legislative Basis and Methodology for the INCSR

The 2021 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).¹

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

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

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

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

The following countries/jurisdictions have been identified this year:

Major Money Laundering Jurisdictions in 2020:

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,

¹ This 2021 report on Money Laundering is based upon the contributions of numerous U.S. government agencies and international sources. Specifically, the White House Office of National Drug Control Policy, U.S. Treasury Department’s Office of Terrorist Financing and Financial Crimes, Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance; Department of Homeland Security’s Immigrations and Customs Enforcement and Customs and Border Protection; Department of Justice’s Money Laundering and Asset Recovery Section, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

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, Russia, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Senegal, Sint Maarten, Spain, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela, and Vietnam.

Overview

The COVID-19 pandemic disrupted governments and commercial activity around the globe in 2020. Onsite supervisory and audit programs were delayed or cancelled. Financial institutions and businesses adjusted their functions and adopted new methods of communicating and conducting transactions. Yet, despite the contraction of the global economy, the flow of illicit money continued. Criminals not only continued to perpetrate traditional financial crimes but devised new ways to exploit the pandemic through counterfeiting essential goods and telephone and email scams promoting health or medical products.

The 2021 edition of the Congressionally mandated “International Narcotics Control Strategy Report, Volume II: Money Laundering” focuses on the exposure to this threat in the specific context of narcotics-related money laundering. The report reviews the anti-money laundering (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 United States’ provision of AML-related technical assistance.

The United States is a founding member of the Financial Action Task Force (FATF) and has worked within the organization and with partner countries and FATF-style regional bodies to promote compliance with the FATF 49 Recommendations. It has also supported, through technical assistance and other means, the development and implementation of robust national-level AML regimes around the world.

Corruption continues to flourish in many parts of the world, facilitating organized criminal enterprises and money laundering. Although the potential for corruption exists in all countries, weak political will, ineffective institutions, or deficient AML infrastructure heighten the risk that it will occur. The 2021 report highlights actions several governments are taking to more effectively address corruption and its links to money laundering. While legislative and institutional reforms are an important foundation for preventing corruption, robust and consistent enforcement is also key. In 2020, the Kyrgyz Republic passed an anticorruption strategy for 2021-2024, which includes plans to better repatriate stolen assets. The Government of Mozambique adopted a new asset recovery bill as well as unique account numbers for individuals to use in banks nationwide. Afghanistan issued regulations implementing asset forfeiture for corruption cases in the country’s first such asset-recovery regulation and, in October 2020, Afghan officials announced they prevented the illegal transfer of \$1.6 million over the preceding four months.

Increasing the transparency of beneficial ownership remains a central focus of AML efforts, appearing in coverage of some recent high-level corruption allegations in the media. Shell companies, many located in offshore centers with secrecy stipulations, are used by drug traffickers, organized criminal organizations, corrupt officials, and some regimes to launder money and evade sanctions. “Off-the shelf” international business companies (IBCs), which can be purchased via the internet, remain a significant concern by effectively providing

anonymity to true beneficial owners. While this report reflects that beneficial ownership transparency remains a vulnerability in many jurisdictions, it also highlights important steps taken by many governments.

In a major anticorruption and AML milestone for the United States, 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. The United States was not the only jurisdiction to take action in 2020. In The Bahamas, the country's Attorney General's Office and Financial Intelligence Unit (FIU) implemented a secure search system for accessing online information on beneficial ownership of legal entities registered in the country. Belize enacted legislation to give effect to tax transparency obligations. Since October 2020, the names of subscribers, registered offices, year-end share capital, and nature of business of companies in the Cayman Islands are publicly available. A new law in the Netherlands requires all corporate and other legal entities to list their ultimate beneficial owners in a transparent register. The United Arab Emirates (UAE) Council of Ministers (Cabinet) issued a resolution requiring declaration of beneficial ownership, shareholder disclosure, and timely updating of ownership information.

As new technologies emerge, crimes like money laundering evolve, posing new challenges for societies, governments, and law enforcement. The rapid growth of global mobile payments (m-payments) and virtual currencies demands particular attention in the AML sphere. The use of mobile telephony to send and receive money or credit continues to exceed the rate of bank account ownership in many parts of the world. The risk that criminal and terrorist organizations will co-opt m-payment services is real, particularly as the services can manifest less than optimal financial transparency.

Virtual currencies are growing in popularity and expanding their reach. In 2020, The Bahamas launched the Sand Dollar, the world's first central bank-backed digital currency. The Sand Dollar is stored in a non-interest-bearing digital wallet accessible through mobile devices. China is currently piloting a central bank-backed digital currency known as the eCNY or eCNY Digital Currency Electronic Payment. In March 2020, the Supreme Court of India removed an earlier government ban on trading in virtual currencies.

A growing number of jurisdictions are responding to the challenges posed by the rapid development of such anonymous e-payment methodologies. In 2020, the Prosecution Service of Georgia created a new cybercrime department and is in the process of developing virtual currency seizure guidelines for law enforcement. The Cayman Islands passed new legislation identifying its Monetary Authority as the AML supervisor of virtual asset service providers. The Peruvian Financial Intelligence Unit began supervising virtual currency exchanges and launched a risk analysis of virtual currencies, which will inform the drafting of a specific regulation. Antigua and Barbuda adopted legislation to introduce warrants for law enforcement to search the contents of electronic devices. The United Kingdom updated its AML regulations to cover virtual assets. In Thailand, the government held public hearings on proposed legislative amendments designed to cover financial technology service providers. Canada passed regulatory

amendments that now require money service businesses (MSBs) dealing in virtual currencies to comply with AML requirements and register with the Financial Transactions and Reports Analysis Centre (FINTRAC). Foreign MSBs also must fulfill new AML compliance measures and register with FINTRAC.

Although new technologies are gaining popularity, money launderers continue to use free trade zones and gaming enterprises to launder illicit funds. Trade-based money laundering (TBML), in particular, is a long-standing area of concern. Trade-based systems act as a kind of parallel method of transferring money and value around the world. Because systems such as hawala, the black market peso exchange, and the use of commodities such as gold and diamonds are not captured by many financial reporting requirements, they pose tremendous challenges for law enforcement. These methods are often based simply on the alteration of shipping documents or invoices, and thus are frequently undetected unless jurisdictions work together to share information and compare documentation. The UAE now mandates hawaladars and informal money transfer service providers formally register with its central bank. The growing network of Trade Transparency Units (TTUs), now numbering 16 active units, has revealed the extent of transnational TBML through the monitoring of import and export documentation. These units focus on detecting anomalies in trade data—such as deliberate over- and under-invoicing—that can be a powerful predictor of TBML. In recognition of this ongoing threat, a joint FATF-Egmont Group project is developing new guidelines for the identification of possible TBML.

As political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems, the continued development of effective AML regimes consistent with international standards is vital. The 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 2020, the United States continued its endeavors to strengthen the capacity of our partners in the fight against money laundering despite the impact of the COVID-19 pandemic. Although some activities were curtailed or completed remotely, U.S. regulatory agencies and law enforcement 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, financial crimes, terrorist financing, 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 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 2020, the FRB did not conduct any in person AML/CFT international trainings or technical assistance missions due to the COVID-19 pandemic. It did conduct remote training programs for over 300 participants.

Department of Homeland Security

Customs and Border Protection (CBP)

Both the International Operations Directorate and International Support Directorate of CBP provide international training programs and/or technical assistance. CBP did not conduct any AML training or technical assistance programs in calendar year 2020.

Immigration and Customs Enforcement Homeland Security Investigations (ICE HSI)

During 2020, ICE HSI provided critical training and technical assistance to the United States' foreign law enforcement partners. In Canada, ICE HSI worked with Canadian law enforcement agencies to provide training on cryptocurrency, the dark web, asset forfeiture, and financial investigative techniques. ICE HSI deployed personnel to the Canada Border Services Agency's Trade Fraud and Trade Based Money Laundering Center as well as with Public Safety Canada and the Royal Canadian Mounted Police Financial Crimes Coordination Center to increase information sharing in financial investigations and combatting money laundering. ICE HSI partnered with Caribbean law enforcement agencies to provide training on U.S.-based firearm export violations and its ties to narcotic smuggling within the United States. In Asia and Europe, ICE HSI trained bank officials and law enforcement partners in Malaysia and France on the ties between cryptocurrency money laundering and those engaged in crimes against children, child exploitation, and overall TBML. In South America, ICE HSI assisted the Peruvian National Police in investigating TBML occurring within Peru and trained Colombian military, tax and customs, and financial investigative offices on money laundering and contraband targeting to identify and disrupt illicit financial activity taking place along the country's remote coasts. Finally, in Central America, ICE HSI provided training on cryptocurrency investigations to Panamanian partners within the Panama National Police, its Public Ministry, and other Panamanian law enforcement bodies.

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.

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 2020, ODF participated in and led a number of virtual workshops and strategy sessions focused on COVID-19 money laundering trends, TBML, private sector engagement, virtual currency, and investigative case coordination. Also during 2020, 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 2020, the FBI provided financial crime and money laundering training to Argentina, Antigua and Barbuda, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Hungary, Jamaica, Kazakhstan, Mexico, Nicaragua, Panama, Peru, Paraguay, and Trinidad and Tobago. The FBI also participated in training provided through UNODC.

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

In 2020, with funding from INL, OPDAT provided expert AML assistance throughout the world consistent with international standards and in furtherance of U.S. national security:

Africa

In The Gambia, OPDAT assisted in pursuing foreign assets of the corrupt former president, including assistance to the USDOJ's Money Laundering and Asset Recovery Section to initiate civil forfeiture proceedings on a multimillion-dollar property in Maryland. Additionally, in late 2020, FBI Special Agents returned to Ghana to continue case-based mentoring with investigators.

Asia and the Pacific

In the Maldives, OPDAT-mentored prosecutors secured a 20-year sentence of the former vice president for money laundering and corruption. In Indonesia, OPDAT worked with the anticorruption commission and provided training to over 1,200 journalists, academics, civil servants, and others on how money is laundered through corporations and the role the media can and should play. In Nepal, OPDAT has continually advocated for the creation of specialized units, including AML prosecutors. In Bangladesh, OPDAT held an anticorruption/AML virtual program for approximately 50 prosecutors and law enforcement officers. In Burma, OPDAT drafted an AML concept note and continued promoting a set of written police prosecutor guidelines for AML cases, which reflect international standards.

Europe

Through regional and bilateral workshops, as well as extensive case-based mentoring, in 2020 OPDAT developed the financial investigation skills of police and prosecutors throughout the Western Balkans, including Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, and Serbia, as well as in Bulgaria, Latvia, and Romania; this capacity building has resulted in significant AML successes. OPDAT provided AML instruction throughout the region to judges on reviewing complex financial evidence and to journalists and civil society representatives on conducting open source financial investigations. OPDAT also assisted the government of Malta to enact AML reforms necessary to comply with international standards.

Western Hemisphere

In Mexico, OPDAT provided case-based mentoring to prosecutors handling AML cases, as well as support to the Mexican Congress. These engagements have resulted in significant arrests and prosecutions of cartel members and leaders. OPDAT also provided regular AML and asset forfeiture assistance and mentoring to Guatemalan, Honduran, and Salvadoran prosecutors, investigators, judges, and AML units, and led regional efforts to share best practices and promote increased regional sharing of information on these topics. Finally, OPDAT hosted a Pan American AML/CFT Seminar Series with the goal of strengthening cross-border cooperation throughout the Americas against money laundering and terrorist financing. More than 250 prosecutors, judges, and analysts participated.

Department of State

The Department of State's Bureau of International Narcotics and Law Enforcement (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 Department bureaus, U.S. government agencies, and multilateral organizations, INL addresses a broad range of law enforcement and criminal justice areas, including developing strong AML regimes around the world.

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

Examples of INL sponsored programs include:

Europe and Asia

Afghanistan: Through agreements with the Department of Justice and UNODC, INL supported mentoring and technical assistance on AML/CFT to Afghan investigators and prosecutors engaged in processing corruption, major crimes, narcotics, and national security cases.

Central Asia Region: The United States supports a regional AML/CFT advisor to provide training and mentoring to FIU and prosecutorial personnel in Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan in order to improve the effectiveness of national AML/CFT frameworks.

Europe: INL is working closely with partners in Europe to detect and stop the flow of illicit funds derived from criminal enterprises, often involving corruption and organized crime. INL is working closely with authorities in Latvia, Slovak Republic, Cyprus, Malta, Bulgaria, and Romania, among others, to enhance their efforts to investigate financial crimes, including money laundering and other crimes related to corruption and organized crime.

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.

Philippines: The USG has supported training for AMLC on areas including the collection of electronic evidence, casino financial crimes, counter terrorism financing, case preparation, asset management, database support, and investigations.

Western Hemisphere

Caribbean: The United States partnered with the Caribbean Community Implementation Agency for Crime and Security (CARICOM IMPACS) to host a three-day virtual Caribbean Financial Crimes Technical Working Group covering civil asset forfeiture, financial crimes legislation, money laundering, electronic evidence, and regional financial crimes and case studies. Participating countries included The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Haiti, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

The United States supported UNODC trainings on TBML for 1,247 Caribbean officials and an AML training led by Trinidad and Tobago for an additional 573 Caribbean officials.

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. In November 2020, these coordination efforts brought together gang prosecutors and investigators from El Salvador, Guatemala, Honduras, Mexico, and the United States in a one-week coordinated law enforcement action that resulted in criminal charges in Central America against more than 700 members of transnational criminal organizations. 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 provides training, equipment, and case-based mentoring to prosecutors and investigators in the Attorney General's Office. These lines of effort are designed to prioritize complex, transnational organized crime cases with the goal of prosecuting money laundering and disrupting financing for drug trafficking and other organized crime activities. Further, INL supports the Special Assets Entity in developing procedures to recover assets forfeited using non-conviction-based forfeiture procedures. Additionally, INL supports training and technical assistance for Colombian judicial actors to make informed decisions in complex AML cases.

Ecuador: Ecuadorian cooperation with U.S. law enforcement agencies improved due to increased United States technical assistance for Ecuador's FIU, the Financial and Economic Analysis Unit (UAFE) and the formation of a vetted AML unit comprised of the Attorney General's Office, UAFE, and National Police personnel.

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 FIU, administrator of the Bank Secrecy Act, and primary regulator of AML/CFT activity. FinCEN conducts bilateral and multilateral training and assistance with foreign counterpart FIUs and various domestic and international agencies and departments. This work includes but is not limited to: multilateral information sharing projects focused on specific topics of interest among jurisdictions; analyst exchange programs and training; and programs that enhance analytic capabilities and strengthen operational collaboration to identify, track, and develop actionable operational intelligence. In 2020, FinCEN did a presentation to the FATF Virtual Asset Contact Group (which included participation across all FATF regions); participated in the UNODC Southeast Asia Cryptocurrency Working Group meeting and training, which was focused especially on Southeast Asia; the United States-United Kingdom Virtual Currency Roundtable; and a training program for the Kuwait FIU on the role of an FIU in SAR analysis and assistance to law enforcement.

Internal Revenue Service, Criminal Investigations (IRS-CI)

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

IRS-CI delivered the Inter-Agency Cooperation in Financial Investigations course at the ILEA Regional Training Center in Accra, Ghana in March 2020. The training was co-delivered with DEA instructors.

The IRS-CI international training program created a virtual training alternative to meet the needs of our training partners abroad. In 2020, IRS-CI offered webinars focused on a variety of financial techniques and case studies involving financial crimes. These webinars benefited criminal investigators and their supervisors, tax enforcement officials, and government prosecutors in combating serious crimes. Current webinar offerings include the following topics: International Public Corruption with Foreign Corrupt Practices Act and Money Laundering Violations Case Study; TBML via Value Added Tax Fraud Case Study; PEP Case Study; Narcotics and the Dark Web Case Study; and Democratic People's Republic of Korea Cyber Hack and Cryptocurrency Case Study.

The IRS-CI international training program delivered webinars for government officials in Belize, Canada, Cayman Islands, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Panama, and Paraguay.

Office of the Comptroller of the Currency (OCC)

The U.S. Department of Treasury's OCC charters, regulates, and supervises all national banks and federal savings associations in the U.S. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, as well as consumer protection laws and implementing regulations. The OCC also sponsors several initiatives to provide AML/CFT training to foreign banking supervisors. However, in 2020, due to COVID-19, the OCC was not able offer its annual AML/CFT School, designed specifically for foreign banking supervisors, to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. OCC officials met with representatives from foreign law enforcement authorities, FIUs, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions. The OCC is preparing to offer virtual AML/CFT training to foreign regulators in 2021.

Office of Technical Assistance (OTA)

Each of OTA's five teams – Revenue Policy and Administration, Budget and Financial Accountability, Government Debt and Infrastructure Finance, Banking & Financial Services, and Economic Crimes – focuses on particular areas to establish strong financial sectors and sound public financial management in developing and transition countries. OTA follows a number of guiding principles to complement its holistic approach to technical assistance and supports self-reliance by equipping countries with the knowledge and skills required to reduce dependence on international aid and achieve sustainability. OTA is selective and only works with governments that are committed to reform – reform that 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 internationally compliant AML/CFT regimes. 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 by ECT management, which considers the jurisdiction's noncompliance with international standards and the corresponding needs for technical assistance, as well as the willingness by the counterparts to engage in an active partnership with the ECT to address those deficiencies.

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

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

In 2020, following these principles and methods, the ECT delivered technical assistance to Angola, Argentina, Belize, Botswana, Cabo Verde, Dominican Republic, Ecuador, Estonia, Iraq, Latvia, the 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, 2020, that jurisdictions have, or have not, taken to combat drug money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. **For those questions relating to legislative or regulatory issues, "Y" is meant to indicate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.**

Glossary of Terms

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

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

Comparative Table

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

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Albania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Algeria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Antigua and Barbuda	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Armenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Benin	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

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

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
British Virgin Islands³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Curacao²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Cyprus⁴	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

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

⁴

Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	N	N	Y	N	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. courts	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.
Govt/Jurisdiction														
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Guatemala	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Haiti	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Hong Kong⁵	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	N/A
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N

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

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S.	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.
Govt/Jurisdiction														
Laos	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Macau⁵	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Morocco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Pakistan	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y
Panama	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
St. Kitts and Nevis	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S.	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.
Govt/Jurisdiction														
Senegal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sint Maarten²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
United Arab Emirates	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Vietnam	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Afghanistan

OVERVIEW

Terrorist and insurgent financing, money laundering, bulk cash smuggling, an inability to fully collect customs revenue, fraud, and abuse of hawalas continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer, and corruption continues to be a significant obstacle to the nation's progress. Despite laws and regulations to combat administrative and financial crimes, Afghanistan still struggles to transparently implement and enforce an effective AML/CFT regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The illicit narcotics trade, corruption, illegal mineral extraction, smuggling, and TBML are major sources of illicit revenue. Afghanistan's borders with Pakistan and Iran are porous, facilitating smuggling. Fewer than 15 percent of Afghans have accounts with financial institutions. Hawala networks provide financial and non-financial business services in local, regional, and international markets and are often used to circumvent government oversight. Afghanistan's central bank, Da Afghanistan Bank (DAB), is advocating to require hawalas to change their legal structures from sole proprietorships to corporations with governance boards, compliance policies and procedures, and customer screening. Hawala union leaders have previously held strikes and lobbied political forces to stop what they perceive as over-regulation.

KEY AML LAWS AND REGULATIONS

Afghanistan has a comprehensive AML law that includes KYC and STR provisions. A cross-border currency reporting requirement is also in place. In May 2020, Afghanistan issued its first regulations implementing asset confiscation, although only for corruption cases.

Although Afghanistan's domestic law allows for extradition based upon multilateral arrangements, its constitution prohibits extradition of Afghan citizens without a reciprocal agreement between Afghanistan and the requesting country. The United States does not have an extradition treaty with Afghanistan. There is no bilateral Mutual Legal Assistance Treaty (MLAT) between the United States and Afghanistan, but both countries are parties to multilateral conventions that provide a legal basis for assistance.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The poor security environment, endemic corruption, and a lack of investigative capacity all impact the supervision and regulation of financial institutions, MSBs, and money exchangers. Recent staff turnover at the DAB and the Financial Transactions and Reports Analysis Center of

Afghanistan (FinTRACA), Afghanistan's FIU, have eroded institutional knowledge and diminished confidence of international partners.

Many hawalas use the formal banking sector for day-to-day operations and to settle balances with other hawalas, both domestically and abroad. However, because hawaladars have a history of and preference for opacity, a lack of technical capacity, and an unwillingness to implement CDD requirements (which they view as overly burdensome), they generally fail to file STRs. FinTRACA is working to expand supervision and implementation of the MSB/hawala licensing program.

The new asset recovery regulations cover only corruption cases. The Afghan government should expand the regulations to include other crimes, such as money laundering and narcotics trafficking.

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Regulators and enforcement officers need adequate security and resources, political support, and continued training.

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, lack of full independence, and poor infrastructure. Attorneys, judges, and law enforcement authorities frequently lack the capacity to pursue and prosecute sophisticated or complex cases. Law enforcement officers, prosecutors, and judges continue to need training on effective, lawful asset seizure. Afghanistan should continue to improve seizure and confiscation procedures.

Cooperation between FinTRACA and the AGO is often limited by capacity hurdles and corruption issues. Weak prosecutorial capacity to pursue money laundering cases and asset seizures is problematic. No entity has responsibility for post-conviction asset recovery or for the use or equitable sharing of forfeited assets for crimes, other than assets forfeited in corruption cases.

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

FinTRACA should establish a publicly available list of licensed hawalas and promote their use by the public. The DAB should continue to enhance its AML/CFT supervision and enforcement capabilities. Afghanistan should fully enforce market manipulation and counterfeiting as predicates for money laundering and strengthen AML supervision of DNFBPs.

In April 2020, DAB issued a report detailing the results of its onsite AML/CFT examinations of 57 MSBs and foreign-exchange dealers (FXD). The report identifies a multitude of significant deficiencies and concludes that, overall, MSB and FXD compliance with applicable laws and

regulations is weak. The report recommends industry-wide training, KYC documents maintenance, and improving the quality and frequency of mandated reports.

In mid-2020, the former director of FinTRACA was removed from that position over allegations of bribery in his former role as director of banking supervision at DAB. As of year-end 2020, both the FinTRACA director and its director for non-banking supervision, the division that supervises hawalas, serve in acting capacities.

Kabul's international airport continues to demonstrate ineffective currency controls, although efforts to reform Afghanistan's customs service and its operations have shown promise in reducing currency smuggling by air passengers and cargo. In October 2020, officials announced they prevented the illegal transfer of \$1.6 million over the preceding four months. Afghanistan should strengthen inspection controls and enforcement of the currency declaration regime at airports and borders.

Albania

OVERVIEW

The Government of Albania made no significant progress toward thwarting money laundering and financial crimes in 2020. Albania remains vulnerable to money laundering due to corruption, organized crime networks, and weak legal and government institutions. The country has a large cash economy and informal sector, with significant money inflows from abroad in the form of remittances and diverse investments. Major proceeds-generating crimes in Albania include drug trafficking, tax evasion, and smuggling. Albanian criminal organizations have links to networks operating in Europe and South America. Albania registered some progress with the use of its anti-Mafia confiscation law, including the forfeiture of 40 percent of assets belonging to notorious drug kingpin Klement Balili, dubbed the "Escobar of the Balkans."

Ongoing judicial reforms, including the vetting of judges and prosecutors to eradicate corruption from the justice sector and the creation of multiple specialized police units targeting financial and economic crimes, have improved Albania's prospects for addressing money laundering. These efforts, however, are still hampered by capacity challenges in recently established justice institutions and pervasive corruption that undermines the rule of law.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking and other organized crime activity are the major sources of money laundering. Albania's proximity to Western Europe and the presence of Albanian organized crime in Western Europe and South America increase vulnerabilities. Real estate investments and business development projects are among the most prevalent methods of laundering illicit proceeds. Legal loopholes in 2019 AML legislation still allow casinos at five-star resorts and tourist locations.

KEY LAWS AND REGULATIONS

Albania has comprehensive CDD and STR requirements in place.

In January 2020, parliament approved anti-illicit enrichment legislation that gives the Specialized Anticorruption Body (SPAK) and the Albanian State Police (ASP) the ability to target illicit assets through seizure and confiscation 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.

Recent legal and policy changes have improved Albania's ability to combat money laundering and financial crimes, though implementation has been inconsistent. 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 MLAT, but cooperation is possible through multilateral conventions.

Albania is a member of MONEYVAL, a FATF-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

The Albanian FIU is undergoing leadership changes and is seeking international technical assistance to contribute to a stronger AML regime.

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

Albania has a substantial black market for smuggled goods that weak border controls and customs enforcement facilitate. Courts often refuse to convict for money laundering absent a conviction for a predicate offense.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Albania must implement existing laws effectively and continue to develop the capacity of its police and prosecutors to focus on corruption, money laundering, and economic crimes. Staffing of the National Bureau of Investigation, which is the investigative arm of SPAK, has suffered delays but is ongoing. Substantial criminal code reforms in 2016 and 2017 were meant to build a more effective system, but implementation of these reforms is still a challenge. Despite a sizeable number of money laundering investigations in recent years, the number of related

prosecutions remains low. In 2020, 131 new money laundering investigations were opened by the Prosecutor General's Office; 23 defendants were tried in court, of whom three were convicted. Additionally, the ASP investigated 375 money laundering crimes and 2,891 financial crimes cases in 2020, leading to over \$15 million in sequestered cash and property.

The SPAK, which became operational in December 2019, has registered successes in combating trafficking and organized crime and seizing laundered assets. The ASP has a dedicated economic crime unit tasked with AML efforts.

Albania had success against organized crime figures in 2020. Prosecutors confiscated 40 percent of the assets of drug kingpin Klement Balili and seized Ylli Ndroqi's numerous businesses, including Ora News Media. Ndroqi, who has strong political ties in Albania, is suspected of organizing narcotics trafficking in Turkey and Italy.

ASP logged 676 allegations of corruption in the first 10 months of 2020, a figure comparable to last year's statistics.

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 deters money launderers, who are more likely to use sophisticated transactions. However, a large informal, cash-based economy, estimated at 40 percent of GDP, is vulnerable to abuse by criminals. The real estate market is particularly vulnerable to money laundering.

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

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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, and incidences of TBML increasingly concern Algerian authorities. Algeria's extensive informal economy and nearly exclusive use of cash heighten the risk of financial crimes.

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

KEY AML LAWS AND REGULATIONS

There were no legislative changes noted in 2020. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive Decree no. 13-157, on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153, fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02, establishing rules for the application of the penal code to AML/CFT. AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding \$1,000. In addition, Algerians must use the formal banking system to complete all payments for certain purchases in excess of the following amounts: approximately \$44,200 for real estate and approximately \$8,800 for goods and services. Noncompliance with these provisions could result in sanctions against the individual and/or financial institution.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Challenges remain in implementation of Algeria's AML regime. Following the ouster of the long-serving president in 2019, an anticorruption campaign was announced, and in 2020 Algeria created a specialized financial crimes unit within the court of Sidi M'Hamed, Algiers, to improve capacity to investigate and prosecute financial crimes.

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 PEPs are covered under EDD 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 a similar volume of STRs in the first half of 2020 as in 2019.

The CTRF reported a total of 59 money laundering investigations and 39 terrorist financing investigations completed in 2019, leading to 105 convictions, and expects to report a significant increase in successful prosecutions once it finalizes 2020 data.

Antigua and Barbuda

OVERVIEW

Antigua and Barbuda continues to improve its AML regime. The National Anti-Money Laundering Oversight Committee (NAMLOC) intends to review the country's legal and supervisory framework for combating drug-related money laundering, including preventative measures, prosecutions, and confiscation. As of December 2020, the financial sector includes six commercial banks, six international (offshore) banks, six credit unions, 18 insurance companies, five offshore money remitters, six payday money lenders, three internet gaming entities, four casinos, and 37 citizenship-by-investment program agents. As of December 2016, the offshore sector hosted 5,102 IBCs, of which 3,635 were active.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Corruption, drug trafficking, and fraud are the major sources of illicit funds. The majority of corruption cases addressed by law enforcement are in response to letters of request received from foreign jurisdictions. Front operations, wire transfers, and structuring deposits are the main means of money laundering.

Antigua and Barbuda has one small FTZ that is not believed to be involved in money laundering activity. AML experts identify international banks, MSBs, and the insurance sector as the most vulnerable sectors. The country reports that international banks contribute less than 0.5 percent of GDP.

Three narcotics investigations in 2020 revealed the use of MSBs to send funds to North America for suspected drug purchases. In addition, the cases revealed the involvement of third parties who controlled the funds and who utilized cash-based businesses to obfuscate the illicit origin of funds.

The Citizenship by Investment Program grants citizenship to people who make an economic contribution following background checks to ensure they have no criminal record or pending charges and are not, or have not been, suspected of or associated with any terrorist activity. There are four investment options: a contribution to the National Development Fund, a contribution to the University of the West Indies Fund, an investment into an approved real

estate project, or an investment directly into an eligible business. Nationals of Iran, Iraq, North Korea, Yemen, Somalia, and Sudan are disqualified from applying. However, individuals born in these restricted countries who migrated before the age of majority and/or have maintained permanent residence in any country other than those on the restricted list for a period of not less than 10 years can apply, provided they do not maintain economic ties to any restricted country. Authorities are implementing changes to the program after international experts rated the money laundering/terrorist financing risk to the program as medium-high due to a lack of compliance supervision, lack of formal requirements to conduct money laundering/terrorist financing risk assessments, limited audit functions, and a lack of documented policy.

KEY AML LAWS AND REGULATIONS

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

The *Office of National Drug and Money Laundering Control Policy (ONDCP) Act 2020* adds provisions to enhance and clarify the ONDCP's ability to obtain and share information relating to money laundering offenses.

The *Electronic Crimes Act 2020* introduces the requirement for law enforcement agencies such as the police, customs, and the ONDCP to obtain warrants to search the contents of electronic devices.

The *Prevention of Terrorism Act 2020* enhances the powers of the Attorney General when implementing financial sanctions on listed terrorists. It also provides for receipt of freezing requests from other countries that are not based on UN sanctions lists.

The *Mutual Assistance in Criminal Matters Act 2020* contains provisions to improve the effectiveness with which MLAT requests are executed.

Antigua and Barbuda has a bilateral MLAT and a tax information exchange agreement with the United States.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

AML legislation covers legal persons, but the penalties for noncompliance have not been strong deterrents. Antigua and Barbuda should take steps to strengthen the sanctions for noncompliance

to make them dissuasive.

International experts have identified AML deficiencies, including the lack of identification and supervision of vulnerable NPOs and registration of all unregulated DNFBPs. The supervision of DNFBPs is inconsistent and not risk-based. Except for procedures during the initial licensing of DNFBPs, there are no formal practices to prevent convicted criminals from holding a management function in certain DNFBPs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government continues to implement an action plan to address the issues noted in the NRA. Officials report the NAMLOC and other relevant agencies continue to amend their policies and procedures accordingly.

There are specialized units to investigate money laundering, financial crimes, and specific predicate offenses for money laundering. Due to the prevailing COVID-19 situation, all onsite examinations and face-to-face training with financial institutions were revised for virtual platforms. In addition, 2020 AML supervision was adjusted to a virtual/offsite modality.

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

Argentina

OVERVIEW

Argentina faces significant AML/CFT challenges, including those stemming from the tide of illicit proceeds from narcotics trafficking and public corruption. The Tri-Border Area (TBA), shared with Brazil and Paraguay, is one of the principal routes into Argentina for multi-billion dollar TBML, counterfeiting, drug trafficking, and other smuggling offenses. In addition, some money laundering organizations in the TBA have suspected links to the terrorist organization Hizballah. Although moving in the right direction, Argentina is still deficient compared to leading governments in the hemisphere in implementing mechanisms to prevent, detect, investigate, and prosecute money laundering and related crimes.

Since 2016, Argentina has taken significant steps to strengthen its AML/CFT regime, principally by adopting a risk-based approach to AML/CFT compliance supervision and establishing the National Committee for Combating Money Laundering and Terrorist Financing to coordinate the money laundering/terrorist financing NRAs, develop and evaluate the implementation of the national strategy to combat those crimes, and coordinate the development of policies to promote an effective AML/CFT regime. However, Argentina still has not conducted a money laundering NRA or developed AML/CFT national strategies, and the committee has yet to propose policies to strengthen the AML/CFT regime. Limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to reduce significantly the flow of illicit proceeds.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but also a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant revenue. Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, MVTs businesses, exchange houses, real estate, and gaming are particularly susceptible.

Despite improvements in recent years, Argentina lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash, particularly with respect to outbound enforcement. Its cash-intensive economy and a large informal sector create additional opportunities for criminals to launder illicit proceeds, and authorities have detected numerous TBML schemes. Since September 2019, the government has imposed capital controls to restrict the purchase of foreign currency, driving activity into the informal exchange market and increasing use of cash payments. Narcotraffickers and money launderers use this illegal market to launder illicit money. In October 2020, security forces arrested a Peruvian narcotrafficker resident in Argentina suspected of laundering more than \$35 million through this market over the past year.

KEY AML LAWS AND REGULATIONS

Argentina has comprehensive CDD and STR regulations, and both foreign and domestic PEPs are subject to EDD. In December 2019, the FIU issued a resolution stating all foreign PEPs are considered high risk and subject to EDD. In 2020, the National Revenue Administration implemented a new regulation requiring legal entities to provide information on beneficial ownership to deter use of these entities for illicit financing activities.

Argentina and the United States have an MLAT and participate in the Argentina-U.S. Dialogue on Illicit Finance, a bilateral initiative to identify and address shared money laundering and terror financing threats and vulnerabilities. Argentina Customs maintains an active TTU to combat TBML through shared analysis of trade data with the United States.

The FIU is the primary AML/CFT regulator for all reporting entities, including financial institutions, DNFBPs, and other sectors that deal in high-value activities. The FIU is solely responsible for the application of sanctions for non-compliance with AML/CFT requirements.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite recent reforms, effective implementation of the AML regime continues to be a challenge. Argentina has not initiated a money laundering NRA but has completed (but not yet published) its terrorist financing/proliferation financing NRA.

Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML/CFT compliance.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Argentina needs to continue to strengthen and professionalize its FIU to make effective its AML/CFT strategy. The FIU has an outsized role in the AML regime based on a lack of interagency coordination, its role as the DNFBP supervisor, and its unique authority to serve as a party to criminal prosecutions on AML/CFT cases.

Argentina has implemented reforms to allow enhanced use of informants, undercover officers, and cooperating witnesses in criminal investigations, though these measures are not yet in widespread use. Argentina's money laundering 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 among judges and prosecutors in investigating financial crimes.

Armenia

OVERVIEW

Armenia is gradually strengthening its AML legislation and has sharply increased its money laundering investigations and convictions since the 2018 "Velvet Revolution." Armenia is aggressively pursuing criminal cases against high-level officials from prior governments and oligarchs connected to them, and thanks to new legislation, can now pursue assets connected to illegal activity in civil court following the establishment of a non-conviction-based asset forfeiture regime.

Armenia's parliament passed amendments to strict bank secrecy laws that hinder the ability of Armenian investigators to gain access to banking records. Although the Constitutional Court struck down the amendments, the government is currently working on new draft legislation to address the Constitutional Court's concerns. The non-conviction-based asset forfeiture regime and these prospective changes to the bank secrecy laws should provide the Armenian criminal justice system with the authorities and tools to strengthen money laundering investigations and ramp up convictions even further in 2021 and beyond.

VULNERABILITIES AND EXPECTED TYPOLOGIES

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

Although the current government is implementing an ambitious anti-corruption program, narcotics smuggling, the shadow economy, significant inflows of remittances from abroad, the hiding of assets within the real estate sector, and the use of cash remain widespread and constitute vulnerabilities.

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

KEY AML LAWS AND REGULATIONS

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

Requirements concerning KYC, STRs, and EDD for PEPs are stipulated in the AML/CFT Law and the *Regulation on Minimum Requirements to Reporting Entities*.

The *Law of the Republic of Armenia "On Civil Forfeiture of Illegal Assets"* took effect on May 23, 2020. The law addresses proceedings on forfeiture of illegal assets, grounds for initiating actions, bodies which are authorized to initiate and examine forfeiture proceedings, and rules for international cooperation in forfeiture matters. The Prosecutor General's Office may file motions with the courts to impose preliminary injunctions against such assets. Notably, the obligation to deposit security to mitigate any risks of potential damages is waived. Forfeiture claims can be filed mainly with regard to the proceeds of crimes against property, including economic crimes such as theft, fraud, or bribery. In forfeiture proceedings assets are presumed to be of illegal origin unless the owner proves the legitimate origin of the assets. There are no barriers to establishing an asset sharing arrangement with a third country to return assets that an Armenian court decides should be forfeited.

The United States and Armenia signed a Foreign Account Tax Compliance Act intergovernmental agreement in February 2018 that entered into force in July 2019. There is no MLAT with the United States. Armenian investigators and prosecutors have received initial training in the writing of mutual legal assistance requests for submission to the U.S. Department of Justice.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

Bank secrecy laws, as currently designed, require investigators to indict a suspect before obtaining banking records, hindering some money laundering investigations. In January 2020, the parliament adopted amendments to the secrecy law to expand access for investigators, allowing them, with court permission, access to banking information for individuals linked to criminal suspects. The Constitutional Court struck down the amendments, citing due process issues.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Armenia began a new national risk assessment in early 2020 to address issues raised by international experts. It expects to complete the assessment in the first quarter of 2021.

Armenian law enforcement has been increasingly active in trying to build money laundering cases since the 2018 revolution. Between mid-2018 and November 2019, the FIU received inquiries on a total of 200 criminal cases involving elements of money laundering. That number increased to approximately 700 such investigations from January to October 2020. These cases were mostly initiated with charges for predicate offenses such as high-profile corruption, embezzlement, tax evasion, theft, and fraud. A significant number of these investigations target representatives of Armenia's former regimes and associated oligarchs.

Armenian courts achieved eight convictions on cases with elements of money laundering, including four convictions for stand-alone money laundering offenses, from mid-2018 through the end of 2019. Although official statistics for 2020 are not yet available, FIU officials expect a higher number of convictions than in the previous year.

Armenia should provide criminal penalties for legal persons involved in money laundering or terrorist financing, ensure all reporting sectors provide mandated financial intelligence reports, criminalize misrepresentation, and create vetting mechanisms to prevent corrupt criminal actors from serving as, owning, or managing DNFBPs.

Aruba

OVERVIEW

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs and gold from South America bound for the United States and Europe, and for currency flowing in both directions. Aruba is a semi-autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions with the approval of the local parliament. The law enforcement MOU between the four Kingdom countries and the United States for joint training activities and sharing of information includes Aruba.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

Sanctions against Aruba's traditional trading partner, Venezuela, and a closed border with Venezuela are negatively affecting Aruba's economy. Some Venezuelans who are investing in real estate in Aruba are suspected of using black money. Aruban law enforcement agencies are continuing to investigate illegal underground banking, money laundering, and 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 FTZs. Financial services, banks, and insurance companies are not permitted to operate in the free zones. There are 10 casinos, and online gaming is allowed, subject to KYC provisions and FIU reporting requirements.

KEY AML LAWS AND REGULATIONS

Fraud is a crime and counterfeiting and piracy of products are predicate offenses to money laundering. Licensing is required for a variety of businesses. KYC laws cover banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, car dealers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects. In 2020, Aruba temporarily banned gold trading/imports from Venezuela pending legislative approval of a permanent law to regulate the gold trade.

The Kingdom may extend international conventions to the semi-autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become

law. The Kingdom extended to Aruba the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. 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*, which was signed by the United States and the Kingdom in 1992. With the Kingdom's agreement, each entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual entities may conclude MOUs in areas in which they have autonomy if these MOUs do not infringe on the foreign policy of the Kingdom. Aruba is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

Reporting entities are not required to give complete identification data for a legal person in an unusual transaction report (UTR) unless the FIU requests additional information.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Aruba does not have an STR system but rather a broader UTR system. Service providers are required to report large cash transactions of \$14,000 or more, wire transactions of \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

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

The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Aruba. The 1981 MLAT between the Kingdom and the United States applies to Aruba and is regularly used by U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations.

The Aruba College of Financial Supervision continued to supervise public finances and financial issues, including money laundering. Aruba attempted to annul the agreement due to concerns over negative economic impacts, but the governor did not approve the annulment. 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 various sectors, such as financial services, real estate, and casino online gaming. In 2020, The Bahamas took significant steps toward strengthening its AML regime, including enhanced cooperation agreements among law enforcement and regulatory entities. The Bahamas has also engaged international donors for technical assistance on implementation of an AML/CFT framework in line with international standards.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The Bahamas traditionally earns approximately 20 percent of GDP through financial services. The international bank and trust sector, the largest segment of the industry, has over \$400 billion in assets under administration. International and domestic banks and trust companies face exposure to money laundering risks as they conduct a high volume of transactions, handle significant wealth, utilize wire transfers, and provide banking services through channels that vary in anonymity and complexity. Money transmission businesses are also vulnerable due to the substantial number of small transactions, high numbers of one-off and non-resident customers, and usage by undocumented migrants. As of November 2020, approximately 60 licensed fund administrators, 733 licensed funds, 351 licensed financial corporate service providers, and 27,072 IBCs were present in The Bahamas.

Emergency powers orders implemented by the government in March 2020 in response to the COVID-19 pandemic effectively shut down casinos, which are restricted to international visitors. However, The Bahamas faces money laundering challenges related to the online gaming sector, including “web shops” (hybrid online gaming houses), which are restricted to citizens and residents of The Bahamas. As reported by the central bank, The Bahamas generated \$299 million in casino gross revenues (January – March 2020) and \$2.3 billion in online gaming sales (January – October 2020), in a country with an overall population of less than 400,000, and in which pandemic-induced unemployment increased from an estimated 10 percent to 40 percent.

On October 23, 2020, The Bahamas launched the world’s first central bank-backed digital currency, the sand dollar. The sand dollar is stored in a non-interest-bearing digital wallet accessible through mobile devices. International transactions utilizing the Sand Dollar are not currently possible. The sand dollar is subject to KYC requirements that vary based on “tiers” of use, with the lowest category (maximum \$500 in digital wallet/\$1500 in monthly transactions) requiring little documentation. Higher tiers are subject to stricter KYC procedures.

The country’s only FTZ is the city of Freeport, Grand Bahama, administered and managed by a private entity, the Grand Bahama Port Authority. The FTZ serves primarily as a manufacturing and transshipment hub. The government is currently addressing U.S. government concerns regarding container screening measures.

KEY AML LAWS AND REGULATIONS

While no additional AML laws were passed in 2020, The Bahamas enhanced implementation of the 2019 amended *Register of Beneficial Ownership Act* (RBOA). In 2020, the Attorney General's Office and the FIU implemented a secure search system for accessing online information on beneficial ownership of legal entities registered in The Bahamas.

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

The Bahamas exchanges records in connection with narcotics investigations or proceedings pursuant to a bilateral MLAT with the United States. The Bahamas is a member of the OECD's Global Forum and has implemented the Common Reporting Standard.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have stated The Bahamas should continue to work on demonstrating that authorities are investigating and prosecuting all types of money laundering, including cases involving virtual currencies, stand-alone money laundering, and proceeds of foreign offenses such as tax crimes. Despite significant legal and regulatory progress to date, in 2020, the number of money laundering prosecutions and convictions dropped by 12 percent, on top of a 67 percent drop in 2019, which may indicate a lack of commitment to prosecutions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

There is strong political will to pass legislation related to strengthening the AML/CFT regime, and The Bahamas has implemented a strategic action plan to correct noted deficiencies. However, effective implementation of enhanced regulations and cooperation continues to pose challenges. The number of filed STRs continues to be low when compared to the size and scope of the financial sector. As of October 30, 2020, the FIU received 461 STRs for sectors encompassing \$400 billion in assets, up slightly from 454 in 2019. In addition, the volume of sales generated in the domestic gaming sector in relation to GDP per capita remains an area of concern.

The Identified Risk Framework Steering Committee met weekly in 2020, while the Group of Financial Services Regulators met quarterly.

Barbados

OVERVIEW

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

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

The Barbados FIU website hosts a page on trends and typologies that includes the misuse of MVTS such as Western Union or MoneyGram. In some cases that appear to involve funnel accounts, multiple individuals overseas are sending money to one person in Barbados or one person in Barbados is sending money to multiple persons overseas.

The Central Bank of Barbados licenses commercial banks and holding companies, trusts, and merchant banks. As of October 2019, there are 23 international banks and 10 trust, finance, and merchant banks. As of December 31, 2015, (the most recent available data), total assets reported by international banks were approximately \$41 billion (82 billion Barbadian dollars). There are no reliable statistics available on the IBC sector.

In addition, the FIU has identified structuring or smurfing, 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 as methods of laundering funds.

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

KEY AML LAWS AND REGULATIONS

In August 2019, Barbados enacted the *Proceeds and Instrumentalities of Crime Act, 2019-17*, which authorizes civil prosecution of money laundering offenders as well as additional investigative tools such as orders for unexplained wealth and customer information disclosure.

In May 2019, Barbados updated the primary legislation, published as the *Money Laundering and Financing of Terrorism (Prevention and Control) (Amendment) Act, 2019-22 (MLFTA)*. It

includes KYC and STR regulations and covers the international financial services sector.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

A new NRA, which could identify additional national money laundering/terrorist financing threats and vulnerabilities, is still being drafted. To meet international standards, the NRA must address an adequate analysis of terrorist financing risk, transparency of legal persons and arrangements, and the risks associated with trust and corporate service providers and cross-border cash movements.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

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

The Barbados Royal Police Force (RBPF) Financial Crimes Investigations Unit notes that, for 2020, it continues to conduct joint investigations with the drug squad and other units as necessary. The RBPF issues cash detention orders where relevant as part of drug-related or other criminal cases and utilizes disclosure and restraint order applications with the High Court as a means of furthering AML investigations.

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

Barbados should become a party to the UNCAC.

Belgium

OVERVIEW

Belgium's location and considerable port facilities drive the Belgian economy and have fostered the development of an internationally integrated banking industry. Belgium's Port of Antwerp is the second busiest 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 2019, almost 62 tons of cocaine were seized at the Port of Antwerp and 41 tons were seized as of mid-year 2020.

According to Belgium's FIU, the Financial Information Processing Unit (CTIF), 11 percent of its referrals to judicial authorities were drug-related in 2019, and five percent were related to terrorism and terrorist financing. CTIF estimates the total amount of illicit funds currently in circulation is more than \$3.5 billion.

Given that money laundering techniques have become increasingly sophisticated and criminals have adapted their methods, CTIF introduced new analytical mechanisms in 2018 to improve the flow of information, foster cooperation with the federal prosecutors, and enhance partnerships and analysis of STRs. In 2019, the number of disclosures of suspicious transactions decreased 22.2 percent in comparison to 2018. CTIF attributes the drop to improved reporting methods that exclude those STRs that were ultimately deemed to be benign.

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. The opaque, closed nature of the Antwerp diamond industry inhibits money laundering investigations and provides a cover to launder illicit funds through pre-existing, pseudo-legitimate networks.

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. Platforms for exchanging virtual currencies and custodian wallet providers are not currently regulated in Belgium because of the lack of a legal depository. Therefore, virtual currency transactions are not subject to STR requirements.

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. According to CTIF, online gaming is legal, but only if the business operates in a physical establishment in addition to its online presence. In 2018, CTIF reported the number of "operators of games of chance" at 1,103.

KEY AML LAWS AND REGULATIONS

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

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

There are very few reported instances of bulk cash leaving the Port of Antwerp via cargo container. However, the port's large size and difficulty effectively analyzing the contents of 11.87 million container-equivalent units (a 6.9 percent increase from 2018) that move through the port each year may help facilitate the movement of illicit goods and funds.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

After the 2015-2016 terrorist attacks in Paris and Brussels, CTIF reported an increase in terrorist financing cases and increased its staff accordingly. However, additional resources, both human and IT, would enable the CTIF to take a more proactive approach.

The number of STRs from diamond dealers remains low: in 2019, CTIF received only 15 STRs (down from 18 in 2018, but up from 11 in 2017). 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

Belize's AML/CFT laws are in line with international standards, and the government is working to implement its AML/CFT regime across all sectors and institutions. Substantial money laundering vulnerabilities exist, but Belize shows strong political commitment to address vulnerabilities and fully meet its AML/CFT obligations. Efforts to identify and address cross-border movement of currency, particularly in FTZs; to strengthen investigative and prosecutorial capacity; and to increase corporate engagement with stakeholders continue.

Administration of the Companies and Corporate Affairs Registry (CCAR) transferred to the Ministry of Finance to enhance its operations, to improve the availability of company information; and to facilitate consolidation of the domestic and international company acts by December 2021.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Drug and contraband trafficking, tax evasion, fraud, bribery, and corruption all contribute to money laundering activity. Part of the tax evasion issue reflects inconsistencies and lack of clear direction regarding general sales tax arrangements. Belize remains a cash economy. The two FTZs are managed entirely by the private sector and deal in cash. The FIU and the central bank launched a project to review cross-border currency movements in the FTZs.

The FIU currently supervises 1,143 DNFBPs operating in 10 business sectors, with FTZ businesses, NPOs, real estate agents, and vehicle dealers holding the most individual registrations. FIU-led examinations identified AML/CFT operational weaknesses and deficiencies in most of these entities. Constrained by a small compliance staff, the FIU expanded its support/engagement with all DNFBPs; this program is now conducted virtually due to COVID-19.

As of December 2019, the IBC registry has 35,730 registered, active IBCs; 1,967 trusts are registered at the International Trust Registry; and 111 foundations are active. The four international banks operating in Belize are regulated by the Central Bank of Belize. The International Financial Services Commission (IFSC) supervises offshore entities. IFSC lists all offshore entities on its website. The IFSC faces challenges in supervising the large number of entities. Collaboration is underway with other supervisory authorities to address this concern. Legislative reforms brought IBCs within the domestic tax jurisdiction.

Six casinos operate in Belize, with annual revenues estimated at \$30 million. Additionally, there are 32 other gaming establishments and one online gaming license. While the Gaming Control Board (GCB) regulates the gaming entities for prudential purposes, the FIU supervises the gaming sector for AML compliance. The GCB does not have a public list of gaming companies, but the Ministry of Investment, which houses it, keeps a list of licensed entities.

KEY AML LAWS AND REGULATIONS

Belize has a comprehensive AML legal, policy, and regulatory framework and CDD and STR requirements. The AML/CFT Code of Practice covers legal persons and provides for EDD for PEPs.

In January 2020, the Government of Belize enacted the *International Financial Services Commission (Licensing) (Amendment) Regulations* and the *International Financial Services Commission (Capital Requirement) Regulations*. The regulations set minimum capital reserve requirements for entities. In June 2020, Belize enacted the *International Financial Services Commission (Managing Agents) Regulations*, establishing a legal framework for IBCs and

regulated entities to outsource management services to agents licensed and supervised by the IFSC.

Belize enacted the *Mutual Administrative Assistance in Tax Matters (Amendment) Act* and the *Mutual Administrative Assistance in Tax Matters (Automatic Exchange of Country-By-Country Reports) Regulations* in January and April 2020, respectively, establishing tax transparency obligations and requiring sharing of country reports within the OECD framework. In addition, the 2019 Economic Substance Act mandates that certain financial entities and businesses have “substantial economic presence in Belize” and conduct their “core income generating activities” in Belize.

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

AML LEGAL, POLICY AND REGULATORY DEFICIENCIES

The lack of national capacity and resources for financial crime investigations, including asset forfeiture, remains a major deficiency in the government’s AML program. Belize does not have a non-conviction-based forfeiture regime for forms of property other than cash. The Financial Crimes Working Group (FCWG), a sub-committee of the National Anti-Money Laundering Committee (NAMLC), facilitates a multi-agency approach to financial crimes investigations. It currently manages 12 cases, with five before the courts. In October 2020, the NAMLC approved the establishment of an Asset Recovery Forum within the FCWG to pursue criminals and their assets through the collective efforts of the cooperating agencies.

The domestic CCAR and several relevant laws were amended to transfer the administration of the registry to the Ministry of Finance. Efforts to digitize companies’ registry records and facilitate an e-registry began. Plans to merge the *Companies Act* with the *International Business Companies Act* to create one consolidated act and registry are underway.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The political and administrative will to combat money laundering remains strong as evidenced by continued resource flows despite cutbacks due to COVID-19. The FIU continues to foster relationships with foreign counterparts. The FIU now receives STRs electronically because of COVID-19 restrictions and is evaluating new case management software.

Current investigations include 23 cases brought forward from 2019 and seven new cases opened in 2020, with one before the court. Two applications for cash detention orders are also before the court. In January 2020, there was one arrest for “suppression of documents, concealment of documents, failure to disclose, failure to assist, obstruction, and giving false information.” In February 2020, charges were levied on a previously-charged person for “obtaining money transfers by deception.”

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. Nigeria's unilateral closure of its borders in August 2019 significantly disrupted formal trade, though many goods, including gasoline and food products, continue to be smuggled across the border.

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

Benin has 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.

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.

Open sources indicate there are seven casinos in Benin.

KEY AML LAWS AND REGULATIONS

The National Assembly passed Act 2018-17, drafted by the West African Economic and Monetary Union (UEMOA) to standardize AML/CFT legislation among member countries and facilitate information sharing. The June 2018 law replaces 1997 and 2016 laws criminalizing money laundering and the 2012 financing of terrorism law by combining their provisions into a single, uniform law. The law also addresses deficiencies in earlier legislation by introducing new investigative authorities; requiring attorneys, notaries, banks, and certain non-governmental and religious organizations to report large cash transactions; and codifying additional money laundering predicate offenses.

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

The National Assembly passed Act 2018-13 on May 18, 2018, creating the Court for the Repression of Economic Crimes and Terrorism. A February 20, 2020 modification to the law enumerates individual crimes under the court's jurisdiction, including money laundering and illicit enrichment.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

There are no bilateral mutual legal assistance or extradition treaties between Benin and the United States. Benin is a party to multilateral conventions that support international cooperation on money laundering cases.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

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

The West African Central Bank (BCEAO), which regulates the common West African CFA franc currency, sets a requirement for declaration of bulk cash crossing the border to Nigeria (a non-UEMOA member country) at approximately \$8,950 (CFA franc 5,000,000) or more. Benin customs authorities lack training to evaluate cross-border currency declarations for money laundering purposes.

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

On the judicial side, investigating judges lack specialized training in complex financial schemes and cases sit unattended. Out of 570 statements of suspicion recorded between January and October 2020, 59 were presented to the court, 15 were dismissed, and 44 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 should continue its implementation of its laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

The latest White House Office of National Drug Control Policy report found Bolivia had the potential to produce 301 metric tons of cocaine in 2019, a significant source of illicit profits. Informal gold mining also has grown in recent years. Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets and money laundering activity is likely.

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

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

KEY AML LAWS AND REGULATIONS

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

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

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

Bolivia does not have a MLAT with the United States; however, various multilateral conventions

to which both countries are signatories are used for requesting mutual legal assistance. U.S. CBP, U.S. Immigration and Customs Enforcement (ICE), and Bolivian National Customs signed a Customs Mutual Assistance Agreement in 2017 that expands cooperation and information sharing, including in the area of money laundering, and provides for the sharing of forfeited assets. Under that agreement, in November 2020, Bolivia signed an MOU with ICE's TTU to exchange trade data for the purpose of better identifying TBML.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

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

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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

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

Bolivia has an extradition treaty with the United States. In some instances, the Bolivian government has been cooperative with U.S. law enforcement. Overall, there has been little law enforcement cooperation between Bolivia and the United States in recent years.

According to the most recent data available, there were approximately 51 money laundering-related prosecutions in 2018. No data has been published for 2019. Conviction data is not available.

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

Brazil

OVERVIEW

Brazil's economy remains the second largest in the Western Hemisphere in 2020. 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 provide financial support to Hizballah, a U.S. Department of State-designated Foreign Terrorist Organization and a U.S. Department of the Treasury Specially Designated Global Terrorist. Organized crime (including public corruption) is law enforcement's primary money laundering priority, followed by weapons and narcotics trafficking.

In February 2019, Brazil's congress passed legislation to remedy CFT deficiencies. In December 2019, Brazil's congress confirmed the president's executive order that moved Brazil's FIU, the Council for Financial Activities Control (COAF), from the Ministry of Economy to the central bank.

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, TBML, 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 moving into money laundering and other less visible criminal enterprises. According to a recent InSight Crime Institute study, there are concerns the PCC is actively seeking illicit support at the municipal level.

Since 2014, “Operation Carwash” has uncovered a complex web of corruption, bribery, money laundering, illegal campaign contributions, and tax evasion spanning the Americas, leading to arrests and convictions of the former president, former ministers, members of congress, political party operatives, employees at parastatals, and executives at major private construction firms throughout the region. According to the Ministry of Justice and Public Security, close to \$400 million (2.1 billion reais) of illicit funds have been blocked overseas; Brazil has recovered over \$20 million thus far.

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

KEY AML LAWS AND REGULATIONS

Brazil’s money laundering legal framework was last updated in 2019, when its congress passed the CFT law. The framework facilitates the discovery, freezing, and forfeiture of illicit assets, and the CFT law addresses implementation of targeted sanctions for designated terrorist financiers. Brazil has comprehensive KYC and STR regulations. Brazil maintains some control of capital flows and requires disclosure of corporate ownership.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Brazil is currently drafting its NRA.

Comprehensive data on criminal investigations and convictions in 2020 are not yet available.

Brazilian law enforcement has successfully seized millions in multiple currencies in highway seizures, especially on the border with Paraguay. The lack of a central de-confliction database, coupled with the stove-piping of intelligence by multiple Brazilian law enforcement agencies, makes it difficult to fully identify the means through which criminal groups launder money. Coordination among civilian security agencies, law enforcement agencies, and the Brazilian military is hindered by inter-service rivalries. However, Brazil made significant strides in strengthening its legal framework, building capacity to investigate and prosecute financial crimes

through specialized police units and courts, and fostering interagency cooperation and civil society input on prospective reforms. Nonetheless, challenges remain. Judicial delays often lead to cases expiring before judgment due to strict statutes of limitations. Brazil will benefit from expanded use of the task-force model and cooperative agreements that facilitated recent major anticorruption breakthroughs, an increased information exchange on best practices, government contract oversight, and collaboration and leniency agreements. In November 2019, Brazil launched the Integrated Border Operation Center in Foz do Iguaçu in the TBA, which was based in part on U.S. fusion center models.

British Virgin Islands

OVERVIEW

The British Virgin Islands (BVI) is a 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 funds administration, trust formation, and shipping registration. As of June 2020, the commercial banking sector had assets valued at approximately \$2.28 billion. BVI has committed to complying with OECD and EU 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 and narcotics trafficking.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The BVI has a favorable corporate tax and no wealth, capital gains, or estate tax. Significant money laundering risks include exploitation of financial services and a 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. Multiple reports indicate a substantial percentage of BVI's offshore business comes from Asia.

Financial services account for over half of government revenues. The Financial Services Commission's (FSC) June 2020 statistical bulletin notes there are 375,832 companies. Of these, 1,120 are private trust companies. There are six commercially licensed banks, 1431 registered mutual funds, and 48 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 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 the licensing and supervision of financial institutions. The Financial Investigation Agency (FIA) is the supervisory authority responsible for ensuring compliance of DNFBNs with AML/CFT legislation. KYC and STR requirements cover banks, money service and financing businesses, insurance companies, investment businesses, insolvency practitioners, trust and company service providers, attorneys, notaries public, accountants, auditors, yacht and auto dealers, real estate agents, dealers in precious stones and metals, dealers in other high-value goods, and NPOs.

The BVI applies EDD procedures to PEPs. Part III of the *Anti-Money Laundering and Terrorist Financing Code of Practice 2008* outlines the KYC procedures that licensees should follow to ensure proper verification of clients.

In 2020, the government agreed to amend the FIA Act to include authority for the FIA to enforce AML regulations on non-compliant DNFBNs.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have criticized the BVI's AML supervision, particularly of the company formation sector, and its sanctions regime, though there have been recent improvements. In 2019, the BVI Financial Services Commission 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 UN Drug Convention in 1995, the UNCAC in 2006, and the UNTOC in 2012.

The BVI established a register that provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. 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 2019, 10 money laundering-related prosecutions were filed. Information for 2020 is not available.

Updates to the territory's *Anti-Money Laundering Regulations* and *Anti-Money Laundering and Terrorist Financing Code of Practice* will continue to be made in the coming year to further complete reforms necessary to ensure compliance with international AML/CFT standards.

Burma

OVERVIEW

Burma remains vulnerable to money laundering due to its sizable illicit economy and weak banking sector. In 2020, the government continued to make progress on improving its AML regulatory framework and enforcement. Burma issued new AML guidelines and worked to implement 2019 AML regulations on CDD and supervision of remittance service providers.

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

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Burma is still largely a cash-based economy. Burma continues to struggle with a significant illicit economy that includes products such as gemstones, timber, and narcotics and likely generates billions of dollars per year, much of which fuels internal conflicts. The banking system suffered from an absence of effective prudential regulation by the Central Bank of Myanmar (CBM) during the former military regime, which is slowly being improved. The government's inability to exercise sovereign control in its border regions due to continuing civil conflict presents money laundering vulnerabilities due to the proliferation of casinos, 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. The Burmese government enacted a gaming law in 2019, requiring domestic casinos to register as companies. Illegal and informal gaming occurs through lotteries and card games.

KEY AML LAWS AND REGULATIONS

The Government of Burma did not enact any new AML legislation in 2020. The country's *Anti-Money Laundering Act*, passed in 2014, is the foundational legislation. In 2019, the government issued two AML regulations - on CDD and remittance agents – to complement the 2014 law.

In early 2020, the Government of 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. Additionally, the Burmese government began revising its AML law to increase conformity with international standards.

Also in 2020, the Ministry of Home Affairs – which houses the Myanmar Financial Intelligence Unit (MFIU) – drafted guidelines specifically to cover coordination among the Myanmar Bureau of Special Investigations, the MFIU, and the Union Attorney General's Office. This set of rules, called *Cooperation and Coordination Guidelines on Investigations and Prosecutions of Money Laundering Cases*, is expected to be issued in early 2021.

Burma does not have a bilateral MLAT with the United States.

Burma is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/j-m/myanmar/documents/mer-myanmar-2018.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Shortfalls in Burma's AML regime include limited understanding of obligations among financial institutions and DNFBPs, including casinos; poor reporting in STRs; and weak central bank 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 hundi services' compliance with AML regulations.

The MFIU is not a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In line with the 2019 KYC regulations, the CBM performed examinations on 18 private banks between December 2019 and August 2020. In March 2020, the CBM revoked a bank license because the source of funds for share trading and capital came from illegal sources. The CBM also trained over 50 compliance officers for remittance/money transfer companies. In line with the 2019 regulations on remittance service providers or hundi services, CBM will issue licenses to nine remittance businesses in late 2020, thereby bringing them under regulatory supervision.

Burma's technical capacity to effectively implement and enforce AML regulations and practices continues to remain limited. Specifically, significant gaps in Burma's ability to oversee informal money transfer entities and to prosecute any such entities engaged in illegal activity persist, and there remains a lack of clear authorities and obligations with certain parts of beneficial ownership requirements. Additionally, Burma largely lacks international-standard training 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 make it vulnerable to narcotics trafficking from the Americas to Europe and West Africa, and to other illicit maritime activity. Its financial system is primarily composed of the banking sector.

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

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Cabo Verde's informal sector, which made up approximately 30 percent of the country's economy before the COVID-19 pandemic, contributes to financial vulnerabilities. Although the formal financial sector enjoys a strong reputation, it may still offer niches to criminals.

The biggest money laundering risk is likely related to narcotics trafficking, 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. The ongoing development of a casino by a major third-country entity also increases Cabo Verde's potential exposure to money laundering.

Prosecutors seldom pursue criminal charges against accused counterfeiters and intellectual property thieves. The high profits, low risk, and inadequate penalties for trademark counterfeiting and copyright piracy likely have made those activities increasingly attractive to organized criminal groups as imports have shrunk and supply chains have slowed due to the pandemic.

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

KEY AML LAWS AND REGULATIONS

Cabo Verde's AML/CFT framework has been in place since 2009. The government has continued to make progress in operationalizing it and improving national cooperation and coordination. In a typical case, the 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 central bank (BCV) regulates and supervises the financial sector, and commercial banks generally comply with its rules. Financial institutions reportedly exercise due diligence beyond the requirements of the law for both domestic and foreign PEPs.

Cabo Verde has taken 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; the Inspector General for Gaming, which currently sits in the Ministry of Tourism, supervises Cabo Verde's gaming.

The United States and Cabo Verde do not have a bilateral MLAT or an extradition treaty. Cabo Verde is party to relevant multilateral conventions that allow for international law enforcement cooperation, including extradition.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

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 through donor assistance. It led the effort to create uniform DNFPB governance standards consistent with international best practices. A pilot group formed in 2019 has concentrated its 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 NGO sectors.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Despite its achievements, Cabo Verde still needs to close important gaps. Among those are the development of a fully and broadly functioning cross-border currency declaration system and a record of tangible outcomes. 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.

At the policy level, the ministers of justice and finance established an inter-ministerial commission to replace the Financial Crimes Working Group to leverage existing legal structures. The commission coordinates Cabo Verde's AML policy to bring it into line with international frameworks and standards.

In recent years, Cabo Verde has recruited additional public prosecutors, and the BCV has recruited more agents for its supervision department.

Canada

OVERVIEW

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

The Canadian government is funding a forensic accountant team to aid investigations and prosecutions and has established two mechanisms to coordinate across agencies and better address TBML. Canada's privacy laws have deterred financial institutions' willingness to share information with government entities, but the FIU is using public-private partnerships (PPPs) with large financial institutions to address this deficiency.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Criminals launder money via several mediums, including bulk cash smuggling, 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 (OCG) are the most threatening and sophisticated actors, given their access to international money laundering networks and facilitators and diverse money laundering methods. Law enforcement efforts to target a particular money laundering practice, such as TBML, generally result in a shift in OCG methodology, rather than an interruption in the illicit activity.

The provinces operate online casinos and table games. According to a 2017 study, the industry produced approximately \$13.3 billion (17.1 billion Canadian dollars) in gaming revenue.

KEY 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). Canada's department of finance published multiple amendments to the PCMLTFA in July 2019. Regulatory amendments that took effect June 1, 2020, now require MSBs dealing in virtual currencies to comply with AML requirements and register with the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's FIU. Foreign MSBs also must fulfill new AML compliance measures, including reporting transactions, CDD, record keeping, and registering with FINTRAC. The amendments include beneficial ownership identification requirements for widely held or publicly traded trusts.

KYC 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 STRs.

The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, a head of an international organization, or an associate or family member of any such person. The PCMLTFA requires parliamentary committee review of the administration and implementation of the law every five years, with the last parliamentary review in 2018. The government last published a national money laundering/terrorist financing risk assessment in July 2015 and expects to publish its next assessment in 2021.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The *2020 National Criminal Intelligence Estimate* on money laundering and fraud notes law enforcement would benefit from additional training and resources to develop AML capacity. It also estimates that hundreds of millions of dollars flow through Canada via TBML, identifying unrelated, third-party trade payments from countries with a high prevalence of money laundering as significant risks for TBML by Canadian professional money launderers.

Information sharing constraints constitute an AML deficiency for Canada. The *Personal Information Protection and Electronic Documents Act* (PIPEDA) hinders 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 is establishing PPPs with large financial institutions to address this deficiency and credits the PPP model with significantly increasing STR submissions.

AML regulation of attorneys was overturned by the Canadian supreme court in 2015 as an unconstitutional breach of attorney-client privilege.

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 allocated \$12 million, spread over five years starting in 2020, to establish a forensic accountant team to support federal, provincial, and municipal law enforcement money laundering and terrorist financing investigations. The government also created the Financial Crimes Coordination Centre to coordinate intelligence and law enforcement agencies' efforts to address money laundering and financial crime threats, and the Trade Fraud and Trade-Based Money Laundering Centre of Expertise to foster capacity related to TBML at the Canada Border Services Agency and FINTRAC. The additional funding and increase in dedicated personnel and resources at the

federal, provincial, and municipal levels should prove beneficial to Canada's AML efforts, but may require an adjustment period to maximize the reach and effectiveness of Canada's AML initiatives.

Cayman Islands

OVERVIEW

The Cayman Islands, a UK overseas territory, is a major international financial center. It is the seventh largest foreign holder of U.S. Treasury securities, the 14th largest holder of international assets, and 13th largest holder of liabilities. As of September 2020, the Cayman Islands had 123 banks; 147 trust company licenses; 145 licenses for company management and corporate service providers; 775 insurance-related licenses; and five MSBs. There are 109,986 companies incorporated or registered in the Cayman Islands. There are 10,709 licensed/registered mutual funds and 12,331 registered private funds in the Cayman Islands.

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

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The Cayman Islands has an indirect tax regime. According to a 2015 NRA of the jurisdiction, the main threats related to money laundering are fraud, tax evasion, and drug trafficking. The Cayman Islands' network of tax information exchange mechanisms extends to over 120 treaty partners. The Cayman Islands has over 100 potential exchange partners for common reporting standard information.

Gaming is illegal. The government does not permit registration of offshore gaming entities. 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 53 businesses in the commodities & derivatives park as of September 2019, 16 were registered with the Cayman Islands Monetary Authority (CIMA) under the *Securities and Investment Law*.

KEY AML LAWS AND REGULATIONS

Shell banks, anonymous accounts, and the use of bearer shares are prohibited. Tax evasion is codified as a predicate offense in the penal code and the *Terrorism (Amendment) Law* defines terrorist financing as a predicate offense for money laundering.

In June 2019, the *Proceeds of Crime (Amendment) Law* brought virtual service providers and single-family offices under AML/CFT regulations. The *Virtual Asset (Service Providers) Law*, appointing the CIMA as AML/CFT supervisor of virtual asset service providers, took effect on October 31, 2020.

The *Securities Investment Business Law* was amended in June 2019 and took effect in January 2020. The amendment replaced the category of “excluded persons” with “registered persons,” with such persons now subject to AML/CFT oversight by CIMA.

CDD and STR requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, MSBs, lawyers, accountants, corporate and trust or company service providers (TCSPs), money transmitters, dealers of precious metals and stones, the real estate industry, virtual asset service providers, and single-family offices. The *Proceeds of Crime Law (2020 Revision)* adds building societies, cooperatives, and mutual funds and their administrators as covered entities subject to CDD and STR requirements.

In October 2019, the names of company directors became publicly available. Since October 2020, the names of subscribers, registered office, year-end share capital, and nature of business of companies are publicly available. A new administrative fines regime has been created for companies and TCSPs that fail to comply with monthly requirements to file beneficial ownership information with the Registrar of Companies.

The United States and the United Kingdom have an MLAT concerning the Cayman Islands.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Areas noted for improvement in the Cayman Islands include strengthening AML/CFT effectiveness by improving the availability and accuracy of information, interagency coordination and cooperation, international cooperation, and monitoring and enforcement.

A ministerial sub-committee of cabinet, chaired by the premier, oversees steps to address AML deficiencies. The Financial Crime Focus Group, headed by the director of public prosecutions (DPP), will enhance the use of financial intelligence in the investigation and prosecution of financial crimes. A supervisors’ forum and a proliferation financing interagency group have also been established.

The Cayman Islands strengthened international cooperation by increasing training and resources at the DPP, the Bureau of Financial Investigations (CIBFI), and the Financial Reporting Authority.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The UK is constitutionally responsible for the Cayman Islands’ international relations. The UK arranged for the 1988 UN Drug Convention and the UNTOC to be extended to the Cayman Islands in 1995 and 2012, respectively. The UNCAC was extended to the Cayman Islands by the UK on December 14, 2020.

Supervisors have increased the number of onsite inspections, in line with the sectoral risk AML/CFT assessments. Administrative fines for noncompliance with the AML/CFT regulations have been imposed.

As of October 2020, CIBFI and its predecessor, an interim task force, had commenced 50 money laundering investigations, in line with the risk profile of the jurisdiction.

The AML regulations require trust and company service providers to collect and maintain beneficial ownership information. The Registrar of Companies stores this information in a centralized platform, which facilitates instantaneous access for law enforcement and competent authorities. The government, in line with the EU 5th Anti-Money Laundering Directive and the UK's introduction of a public beneficial ownership register, committed to the introduction of a publicly accessible register of company beneficial ownership.

China, People's Republic of

OVERVIEW

The People's Republic of China (PRC) is a global hub for money laundering. Enforcement capabilities have not kept pace with the sophistication and reach of criminal networks. PRC authorities continue to identify new money laundering methods, including use of virtual currency. However, PRC authorities rarely share this type of information nor take sufficient action to interdict or counter these methods.

In 2020, the PRC increased regulatory scrutiny of the financial sector and made improvements to its AML framework. Yet serious shortcomings persist in effective implementation and ensuring transparency, particularly in the context of international cooperation. 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 TBML. The PRC is currently piloting a central bank-backed digital currency known as the eCNY or eCNY Digital Currency Electronic Payment.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Corruption is a major factor in money laundering. Corruption, illegal drug production and trafficking, human trafficking, smuggling, intellectual property theft, crimes against property, tax evasion, and illicit financial activity linked to North Korea are the primary sources of laundered funds. Criminal proceeds are generally laundered via bulk cash smuggling, TBML, shell companies, high-value asset purchases, investments, gaming, and by exploiting formal, informal, and third-party payment systems.

China has special economic zones (SEZs), 14 coastal "open cities" with characteristics of SEZs, and other national, provincial, and locally designated development zones. Additionally, China has 21 FTZs, including three opened in 2020. 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.

KEY AML LAWS AND REGULATIONS

China has KYC and STR requirements and EDD procedures for foreign, but not domestic, PEPs.

People's Bank of China's (PBOC) proceeds from money laundering fines and penalties in the first six months of 2020 exceed the total proceeds for 2019. The increase in proceeds from fines is the result of a revision in penalty application from one inclusive fine, regardless of how many laws a financial institution broke, to multiple penalties for multiple violations.

In January 2020, the China Banking and Insurance Regulatory Commission (CBIRC), issued procedures to incorporate AML/CFT into the scope of the CBIRC's daily supervision and onsite inspections of banks and insurers. Covered entities are directed to increase AML/CFT resources, strengthen employee training, and increase reporting capabilities. In October 2020, the PBOC Operations Office (Beijing) released draft measures for comment that would set more detailed and stricter requirements concerning KYC, record keeping, CTRs, and STRs for real estate developers and intermediaries in Beijing. In November 2020, PBOC and CBIRC jointly issued a for-comment draft with the same requirements for microcredit companies that operate online microlending businesses.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The absence of coverage of domestic PEPs is particularly important as corruption is a major source of laundered funds and state-owned enterprises play a dominant role in the economy.

DNFBPs are not supervised. China does not have detailed CDD requirements specific to DNFBPs, and STR reporting is virtually non-existent. The PBOC's lack of understanding and 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.

China's FIU is not a member of the Egmont Group and often lacks capacity or political will to effectively share financial intelligence.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Money laundering investigations are not a priority and often do not supplement investigations of predicate offenses. The PRC largely ignores money launderers if they did not actively participate in predicate criminal behavior. As a result, each year the PRC convicts only a few dozen individuals of money laundering. China should broaden its focus to go beyond active participants in the predicate crime.

The PBOC, the Ministry of Public Security, and provincial law enforcement share responsibility for countering and investigating money laundering. The PRC should continue efforts to better understand the transparent use of AML tools to support a wide range of investigations and prosecutions. China 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 one of Latin America's more comprehensive money laundering detection programs, yet laundering of illicit proceeds from drug trafficking, illegal gold trading, extortion, and public corruption is prevalent throughout its economy.

Administrative monitoring and sanctions have had some success against money laundering, but Colombia can improve results in judicial processes by developing both broader awareness and areas of specialization in AML among monitoring, law enforcement, and criminal justice actors. The overburdened court system and public corruption create additional obstacles to an effective AML regime. Colombia should more aggressively target TBML, a significant source of financing for drug trafficking and criminal organizations.

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-related fraud used to transfer value, and counterfeit and contraband goods that enter through shipping ports or are smuggled across land borders. According to Colombian officials, corrupt customs authorities facilitate evasion of the customs process.

Criminal organizations use formal and informal financial schemes to launder their ill-gotten gains, including money brokers, real estate investments, wire transfers, and remittances. Illegal gold mining and trading is another money laundering scheme that generates high profits. The

lack of state presence and government oversight in rural mining areas is an additional obstacle to gold traceability. Colombia reports that virtual assets play a minor role in money laundering.

The more than 100 FTZs in Colombia are generally well-regulated for AML purposes.

KEY AML LAWS AND REGULATIONS

Colombia has CDD and STR regulations; however, it has not been successful in passing legislation on virtual assets. Colombia's central bank leads a permanent virtual asset working group tasked with creating the regulatory measures and technical support for virtual asset oversight for all affected industry sectors.

In 2020, the Superintendent of Finance (the Colombian financial sector oversight agency) updated the National Anti-Money Laundering Counter Terrorist Financing Risk Management System (known as *Sarlaft* 4.0) that other Colombian regulators use as a guide to AML compliance monitoring.

According to the Colombian legal framework, the Financial Intelligence and Analysis Unit (UIAF), Colombia's FIU, is the national AML/CFT coordinator. To comply with international standards, in 2020, the UIAF published the NRA completed in 2019.

Colombia is part of 16 multilateral treaties and 10 bilateral treaties on international judicial cooperation, including information exchange matters. In addition, Act 526/1999 allows the UIAF to participate in necessary international AML/CFT/proliferation information exchange instruments outside of the Egmont Group process.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Colombia has a comprehensive AML/CFT regulatory framework but needs to improve regulations on proliferation. Colombia's financial sector regulation is robust, but its oversight of other sectors and implementation of its laws and regulations is inconsistent, and there is limited information sharing among key AML institutions.

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

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Colombian and U.S. authorities cooperate closely on money laundering and non-conviction-based asset forfeiture investigations. Cooperation within and between Colombian AML agencies continues to be insufficient. Law enforcement agencies and prosecutors need more resources and specialized training to effectively investigate and prosecute complex financial crimes.

Most goods brought into Colombia via TBML are sold in black-market venues, most frequently San Andresitos, popular informal shopping areas and thus resistant to effective supervision and enforcement. Criminal organizations use adaptive financial networks, relying on corruption, bribery, and professional money launderers, to circumvent Colombia's AML supervision and enforcement nets.

The Colombian Special Assets Entity, responsible for managing and disposing of forfeited assets, has struggled to manage its large inventory. Colombia has only 12 asset forfeiture judges and one asset forfeiture appellate court, so some asset forfeiture cases take up to 30 years to be resolved.

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 generate the majority of the financial crimes in Costa Rica and present significant challenges for authorities. The country continues to show improvement in its AML supervision framework. The country's new state party status in the OECD presents opportunities for progress.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking continues to grow as a principal source of laundered assets in Costa Rica, with cocaine seizures through October 2020 exceeding 40 metric tons--a new record. While the construction, real estate, and hotel sectors are areas of concern, campaign financing is also a money laundering vulnerability. Environmental crimes including illegal mining, wildlife trafficking, and illegal logging also occur. Authorities have identified sophisticated financing and laundering schemes associated with these crimes and note that illicit revenue from environmental crimes exceeds that of drug trafficking.

Costa Rica is not a regional financial hub; however, significant tourist and migrant flows contribute to the vulnerability of Costa Rica's airports and border crossings as sites for bulk cash smuggling and related typologies. Online gaming and sportsbook enterprises, legal in Costa Rica, continue to be areas of concern. While financial institutions remain vulnerable to money

laundering, their exposure has lessened with the gradual implementation of monitoring requirements.

KEY AML LAWS AND REGULATIONS

Executive and legislative branch officials have demonstrated commitment and political will to align Costa Rica's legal framework with international standards. Costa Rica is party to several inter-American agreements on criminal matters and UN conventions. Costa Rica has CDD and STR requirements, and a fiscal fraud law (Law 9416) that provides for disclosure of beneficial owners. In June 2019, Costa Rica's legislature approved a corporate criminal liability law (Law 9699) for offenses related to bribery and corruption, thus remedying a longstanding deficiency in Costa Rica's AML framework. Additionally, Costa Rica's reporting and supervision requirements cover traditional financial institutions as well as DNFBPs.

Costa Rica is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available here: <http://www.fatf-gafi.org/countries/#Costa%20Rica>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Costa Rica does not have stand-alone asset forfeiture legislation and continues to use organized crime and anti-narcotics laws to seize illicit assets. Since September 2019, Costa Rica has used its existing legislation to obtain 19 judgments, thereby forfeiting \$867,067. Furthermore, Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture nor provisions for asset sharing.

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Fiscal austerity measures continue to present risks. A Special Jurisdiction for Organized Crime, intended to function by October 2020, was postponed because of budget restrictions.

As a state party to the OECD, Costa Rica committed itself to new regimens of AML protocols. International experts recommended Costa Rica update its assessment of its exposure to corruption-related money laundering and take appropriate measures to address those risks. They also recommend providing further guidance to reporting entities on identifying suspicious transactions indicative of money laundering predicated on foreign bribery, including typologies that specifically address foreign bribery.

Professional staffing levels at Costa Rica's Special Prosecutor's Office for Money Laundering have increased in the past year, and there are currently 130 active cases. There have been four convictions from September 2019 to date.

In the first six months of 2020, 230 STRs were filed in Costa Rica, resulting in 79 requests for cooperation with national and/or international authorities. The supervision platform for DNFBPs has reached 260,150 registered entities, up from approximately 3,500 in late 2019.

Costa Rica's desire to comply with OECD accession requirements and international AML standards has generated a conducive environment for substantive changes to the AML framework. Costa Rica's OECD membership will undoubtedly continue to accelerate these advances.

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 does not identify money laundering as a major problem.

The Cuban government and state-controlled businesses actively engage in international money laundering in order to evade U.S. sanctions. Cuba should strengthen the transparency of its financial sector by engaging regional and international 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 some factors and conditions in Cuba that are conducive to money laundering and make Cuba a potential destination for illicit funds. These include a poorly regulated and opaque banking sector, Cuba's cash-based economy, the Cuban government's desperation for hard currency, ubiquitous government corruption and overall lack of transparency, and connections to high profile current and former government leaders 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 NPOs, ARS, offshore sectors, FTZs, bearer shares, or other specific sectors or situations.

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

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Cuba has a number of strategic deficiencies in its AML regime. These include a lack of SAR reporting to its FIU by financial institutions and DNFBPs, and weak supervision and enforcement 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 have participated in transferring funds involving Cuba in apparent violation of U.S. sanctions. In April 2019, British bank Standard Chartered agreed to pay \$1.1 billion to settle allegations by the authorities in the United States and Britain that it violated

money laundering laws and economic sanctions, including those involving Cuba. This follows a \$1.34 billion settlement French bank Société Générale agreed to in November 2018 that also implicated U.S. sanctions on Cuba.

Cuba should increase the transparency of its financial sector and increase its engagement with the regional and international AML communities. Cuba should ensure its CDD measures and 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's prominent position as a regional financial center is declining, but it is still considered a transshipment point for drugs and gold from South America. Money laundering occurs through the use of straw/money mules, private foundations, cash intensive businesses as front companies, purchase of luxury goods, real estate, unlicensed money lenders and remitters (underground banking), wire transfers, and TBML. Transfers of gold from South America remain problematic.

Curaçao is a semi-autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions, with the approval of the local parliament. The law enforcement MOU between the four Kingdom countries and the United States includes Curaçao.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Criminal organizations may try to take advantage of the availability of U.S. dollars, offshore banking and incorporation systems, two FTZs, a large shipping container terminal, Curaçao-based online gaming sites, and resorts/casinos to place, layer, and integrate illegal proceeds. Money laundering occurs through real estate purchases, international tax shelters, gold transactions, and through wire transfers and cash transport within the Kingdom. 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's offshore tax regime ended in 2019. Since 2002, no new offshore companies can incorporate and obtain an offshore tax status. Existing offshore companies had until 2019 to operate under the existing offshore regime. After this, the companies will in theory be subject to Curaçao's onshore effective tax rate of 22 percent, but alternate tax regimes remain, depending on company activities.

Curaçao's FTZ is supervised by Curaçao's state-owned (85 percent) Curinde N.V. Corporation and overseen by the Minister of Economic Development. There are 35 banks currently operating in Curaçao, down from 52 in 2019.

Curaçao is perceived to be one of the largest jurisdictions licensing online gaming. In 2019, supervision of this sector was transferred to a gaming control board. The Curaçao Gaming Control Board is the AML/CFT supervisor for the entire gaming industry.

KEY AML LAWS AND REGULATIONS

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

The financial sector is supervised by the Central Bank of Curaçao and consists of credit institutions, money transfer companies, insurance companies, insurance 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. Service providers that are subject to the AML regime (*National Ordinance on Reporting of Unusual Transactions* (NORUT)) are required to comply with KYC requirements and file unusual transaction reports (UTRs) with the FIU. Curaçao is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

Curaçao banned the trade in Venezuelan gold in 2019 via national decree.

The 1981 MLAT between the Kingdom and the United States applies to Curaçao and is regularly used by U.S. and Curaçao law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 United States-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU 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 *Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure, and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets*, which was signed by the United States and the Kingdom in 1992.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Curaçao has yet to complete a national money laundering risk assessment. The results are expected in 2021.

The Kingdom has not extended the UNCAC to Curaçao.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Curaçao utilizes UTRs, a broader reporting mechanism than an STR scheme. Pursuant to the local NORUT, the reporting entities file UTRs with the FIU. The FIU analyzes the UTRs and determines whether they should be classified as suspicious and disclosed to the law enforcement and prosecutors. Annually, the FIU receives approximately 50,000 UTRs and disseminates roughly 900 to 5,000 to the authorities. Because of the perceived growth in UTRs and in view of limited resources, the FIU will launch a new reporting portal in January 2021 to automate processes even more, as well as a new analysis system.

Curaçao recently conducted several high-profile money laundering investigations, and numerous former officials were investigated, charged, or convicted. There are two multi-year money laundering prosecutions ongoing in Curaçao.

Cyprus

OVERVIEW

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

THE REPUBLIC OF CYPRUS

The ROC continues to upgrade its established AML legal framework. As a regional financial and corporate services center, Cyprus has a significant number of nonresident businesses. Although increased enforcement of registration rules caused the total number of companies to decline from 272,157 in 2013 to 216,239 at the end of 2018, it rose to 223,282 at the end of 2019. The long-term downward trend indicates an overall shrinkage of the international business sector. By law, all companies registered in the ROC must disclose their ultimate beneficial owners to authorities.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

In 2017, the government awarded a multi-year, exclusive casino license to Hong Kong-based Melco International. Melco is building an integrated casino resort expected to open in 2022. Until then, Melco is authorized to operate a temporary casino in Limassol and up to four “satellite” casinos throughout the country. ROC authorities are developing their capacity to supervise land-based casino activity (online casino gaming remains unlawful). There is minimal expertise in gaming supervision, leaving the gaming sector vulnerable to abuse. The Cyprus Gaming and Casino Supervision Commission is working with international gaming consultants to conduct due diligence on license applicants, train staff, and establish mechanisms to identify and report illicit activity. Sports betting (offline and online) is supervised by the National Betting Authority.

Another emerging concern is the rise of virtual banking and use of virtual currency. The ROC is currently conducting a national AML/CFT risk assessment on virtual assets, with the assistance of international consultants, with a view to mitigating relevant risks.

The ROC’s now defunct citizenship by investment (CBI) program allowed foreign investors to apply for ROC (and thus EU) citizenship after investing in ROC business, infrastructure, development, or a personal residence, subject to several conditions. This program generated an estimated \$8 billion in investment from 2013 to 2020. Program eligibility requirements were not particularly stringent prior to 2018, and enforcement after 2018 was lax, raising serious concerns about the extent to which the program was used to evade law enforcement authorities or facilitate illicit financial flows. Following an extensive and damning media expose on CBI program corruption, the ROC abolished it, effective November 1, 2020. As of November 2020, there were 691 pending primary applications, with 722 eligible family members. Authorities refuse to release the names of CBI beneficiaries or applicants, citing privacy concerns, but the government has launched inquiries into whether any prior beneficiaries should have their citizenships revoked. On October 7, 2020, the ROC government announced the council of ministers decided to initiate revocation of ROC citizenship for seven individuals and their 12 dependents naturalized through the CBI program. Skeptics doubt the likely efficacy of the inquiries, citing the lack of transparency and prior corruption in the program. Moreover, legal authorities for revocation are not clear. On October 20, 2020, the EC announced it is launching infringement proceedings against Cyprus regarding its CBI scheme, warning such schemes violate EU law, in part because they do not require a sufficiently meaningful attachment to the country granting citizenship. These proceedings continue even though the CBI program was terminated.

KEY 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 PEPs.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

On October 30, 2020, the EC sent the ROC a “reasoned opinion” over its failure to transpose the 5th Anti-Money Laundering Directive into domestic law. The ministry of finance is working with the legislature to try to pass appropriate legislation in 2021.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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

Supervision of the banking sector, including fit and proper checks, still needs to be strengthened. The legally binding February 2019 Central Bank of Cyprus (CBC) *Directive to Credit Institutions* built on previous circulars to further tighten requirements to establish or maintain business relationships with shell companies.

The government aims to have a national registry listing all beneficial owners of legal entities in the ROC operational in mid-2021.

To “name and shame” offenders, and following specific legal provisions, both the CBC and the Cyprus Securities and Exchange Commission post information on their websites on the imposition of fines.

In 2018, the most recent data available, Cypriot authorities convicted 26 persons for money laundering offenses.

AREA ADMINISTERED BY TURKISH CYPRIOTS

OVERVIEW

The area administered by Turkish Cypriots lacks the necessary AML/CFT legal and institutional framework. 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. Because the “TRNC” is not recognized by any country other than Turkey, the banking sector is largely isolated from international financial institutions. Turkish Cypriot banks operating in the area do not have access to the global interbank messaging system and have almost no correspondent banking

relationships outside of Turkey. Almost no international central bank will conduct business with the “TRNC central bank.” This isolation somewhat mitigates the money laundering risk, as moving illicit funds out of the “TRNC” is difficult unless one works through a local branch of a Turkish bank.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

As of November 2020, there are 33 casinos in the Turkish Cypriot-administered area. The ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector poorly regulated and vulnerable to money laundering. Unregulated moneylenders and currency exchange houses are also of concern.

Additionally, the offshore banking sector poses a money laundering risk. As of October 2020, it consists of six offshore banks regulated by the “central bank.” Turkish Cypriots only permit banks licensed by OECD-member countries to operate an offshore branch locally.

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

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

KEY AML LAWS AND REGULATIONS

Turkish Cypriot authorities passed AML “legislation” in 2008. Draft AML “legislation” incorporating elements of international standards has been pending in “parliament” since 2014.

Financial institutions and 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 administered by Turkish Cypriots does not have a records-exchange mechanism with the United States. It is not a member of any FATF-style regional body and is not subject to AML peer evaluation.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The area administered by Turkish Cypriots lacks an adequate AML/CFT legal and institutional framework. Inadequate legislation and a lack of expertise among members of the enforcement, regulatory, and financial communities restrict regulatory capabilities.

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

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

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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

The “central bank” oversees and regulates all banks. In addition to the “central bank” and the “development bank,” there are 21 banks in the area administered by Turkish Cypriots, of which 16 are Turkish Cypriot-owned banks, and five are branches of Turkish banks. Two of the five members of the “central bank’s” “board of directors” are from Turkey, as is the “central bank governor.” Turkish Cypriot banks rely on their correspondent banking relationships for foreign currency transactions.

Between January and October 2020, the “FIU” reported receiving 1,020 STRs, compared to 941 for the same period in 2019, and participated in 28 money laundering-related criminal investigations.

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

Dominica

OVERVIEW

Despite its challenging geography and resource constraints, the Commonwealth of Dominica made progress with its AML regime in 2020. The island’s rugged bays and inlets and close proximity to the French territories of Martinique and Guadeloupe result in drugs, cash, and smuggled goods illegally entering the country by sea.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

The preliminary vulnerabilities identified by the NRA are inadequate AML training for the

judiciary and prosecutorial authorities, lack of awareness of new AML/CFT procedures by key law enforcement agencies, and ineffective supervision of DNFBPs.

Dominica reports the offshore financial services sector is composed of 13 offshore banks, which are regulated and supervised by the Financial Service Unit (FSU). There are seven MSBs, 10 credit unions, one development bank, one internet gaming company, and 16 insurance companies that provide general and long-term insurance in Dominica. The FSU also regulates these entities. There are an unknown number of trusts and IBCs. (As of 2015, the number of IBCs was close to 19,000.) Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs. The Eastern Caribbean Central Bank supervises the four commercial banks in Dominica.

Under Dominica's citizenship by investment (CBI) 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 through an investment in real estate valued at a minimum of \$200,000. The real estate option incurs fees ranging from \$25,000 to \$70,000 depending on family size. Authorized agents, based both domestically and abroad, market the CBI program and are typically the first point of contact for applicants. Dominica markets its program as "one of the fastest and most affordable" in the Caribbean. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Applicants must make a source of funds declaration with supporting evidence. The government's Citizenship by Investment Unit (CBIU) manages the screening and application process.

Applicants from Iran, North Korea, and Sudan are eligible to apply if they have not lived in those countries for at least 10 years, have no substantial assets there, and do not engage in business in or with those countries. Applicants from Iran, North Korea, Sudan, and Syria are required to undergo EDD checks with associated higher fees. Dominica accepts a large number of applicants and sometimes issues passports despite adverse information uncovered during the vetting process.

KEY AML LAWS AND REGULATIONS

There have not been any major changes in Dominica's extensive AML laws and regulations. Relevant AML laws and regulations include the 2016 *Money Laundering Prevention (Amendment) Act* (MPLA), the 2013 *Financial Services Unit (Amendment) Act*, and the 2016 *Proceeds of Crime (Amendment) Act*. A 2018 *Magistrate's Code of Procedure Act* update specifies the forms and procedures used in the application for detention, forfeiture, and release of cash.

Dominica has an MLAT and an extradition treaty with the United States. Agencies in Dominica share information with counterpart agencies through various means, including exchanges between FIUs, customs services, police agencies, and through the Asset Recovery Inter-Agency Network for the Caribbean. The *Code of Practice* provides for the exchange of information by competent authorities.

Dominica is a member of the CFATF, a FATF style regional body. Dominica's last MER is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/dominica-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

A comprehensive legislative framework addresses international standards. Dominica is in the process of implementing its money laundering/terrorist financing NRA with donor assistance and has identified several preliminary vulnerabilities within its AML/CFT regime, which are being addressed in the implementation action plan.

There has been effective collaboration among law enforcement agencies in intercepting criminal proceeds through coordinating and conducting joint operations. In 2020, authorities seized \$885,917 (\$2,394,135 Eastern Caribbean dollars (XCD)).

There were two charges for money laundering in 2020. These cases have a monetary value of \$244,249 (\$661,314 XCD). These matters are pending at the magistrates court.

Dominican Republic

OVERVIEW

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

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

President Abinader assumed the presidency in August 2020 and has stated his commitment to strengthen AML actions, especially in narcotics trafficking and corruption cases. Key law enforcement officials have publicly committed to this increased focus. The government will need to address noted deficiencies to move the country closer to compliance with international standards.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

As of the end of 2019, 695 companies, primarily engaged in manufacturing, were located in the DR's 75 FTZs. These companies are exempt from most national and municipal taxes, as long as the products they produce are exported to foreign markets. The National Council of Export Free Trade Zones regulates compliance with Law 8-90, on FTZs, and is composed of representatives from the public and private sectors. There are no known instances of money laundering activity in the FTZs.

KEY AML LAWS AND REGULATIONS

The *Law against Asset Laundering and the Financing of Terrorism*, Law 155-17, enacted in 2017, extends the functions of the FIU to act as the Technical Secretariat of the National Committee against Money Laundering and Terrorist Financing. Law 155-17 also strengthens penalties and broadens the scope of crimes covered under the legislation, among other changes. The DR has comprehensive KYC and STR regulations.

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

The DR's weak asset forfeiture regime is improving but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The Congress of the Dominican Republic has been reviewing legislation pending since 2014. The proposed legislation would institute non-conviction-based asset forfeiture and align the asset forfeiture regime with international standards.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The DR has a mechanism (Law 155-17) for sharing and requesting information related to money laundering; this mechanism is now in force after the DR's July 2019 readmission to the Egmont Group.

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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

The Attorney General's Office reported no convictions for money laundering in 2020, but 20 new cases entered the courts in 2020, adding to the 50 cases currently underway.

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

Ecuador

OVERVIEW

Located between two major drug-producing countries, Ecuador is a major drug transit country. A dollarized, cash-based economy and the lack of financial inclusion in key sectors contribute to Ecuador's money laundering vulnerabilities. Public corruption scandals with domestic and international linkages have involved money laundering. Money laundering occurs primarily through trade, commercial activity, and cash couriers. Bulk cash smuggling and structuring are also common.

Pursuing public corruption is a top priority for President Lenin Moreno's government. Authorities have investigated and successfully prosecuted high-level government officials, including former president Rafael Correa. While Ecuador has strengthened its AML/CFT regime, the government needs to implement additional reforms. Bureaucratic stove-piping; corruption; lack of specialized AML expertise in the judiciary, law enforcement, and banking regulatory agencies; and limited prosecutorial capacity hinder the government's efforts to improve AML/CFT enforcement and prosecutions.

Ecuadorian cooperation with U.S. law enforcement agencies improved due to increased technical assistance for the Financial and Economic Analysis Unit (UAFE), Ecuador's FIU, and the formation of a vetted multi-agency AML unit.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotrafficking is a significant source of illicit proceeds, and criminals continue to use commercial and trade mechanisms to launder funds. Recently discovered, significant gold deposits incentivize illegal miners to operate outside the country's nascent commercial mining industry. Other illicit activities include the trafficking of drugs, arms, and people. TBML, particularly cross-border activity, remains a threat.

A dollarized, cash-based economy with a significant informal sector also contributes to money laundering vulnerabilities. According to the Central Bank of Ecuador (CBE), 61 percent of Ecuadorians have access to the financial system through accounts in banks and cooperatives. Six percent of the 60,883 registered microenterprises have bank accounts.

KEY AML LAWS AND REGULATIONS

Ecuador has STR requirements and EDD for PEPs. Ecuador has a free, online registry of beneficial ownership. The law requires registration of any entity holding a single share of any company or partnership.

President Moreno vetoed asset forfeiture reforms in 2019, saying they would violate an individual's constitutional rights. The National Assembly subsequently added embezzlement, extortion, bribery, influence peddling, trafficking in persons, and illicit association to the range of crimes subject to equivalent confiscation.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite its progress, Ecuador needs to implement additional AML/CFT reforms. Corruption, inadequate training for law enforcement and the judiciary, and frequent misinterpretation of the law are primary AML deficiencies. Judges are often susceptible to bribery and frequently hinder narcotics-related money laundering investigations. The prosecutorial office handling money laundering cases only has five AML-dedicated prosecutors nationwide, suffers from reputational deficiencies, and has been subject to political pressures to shelve cases. A lack of coordination and trust among law enforcement, the Attorney General's Office (AGO), and financial regulators hinders AML efforts.

Regulatory authorities are still in the initial stages of implementing a risk-based AML/CFT supervisory approach. The effectiveness of AML/CFT compliance examinations and the enforcement framework still need strengthening. UAFE can administratively sanction reporting entities only for missing monthly reporting deadlines. Although stipulated by law, sanctions do not increase for recidivism. UAFE has no administrative sanctioning authority for failure to report or otherwise act on a suspicious transaction but must rely on the AGO to investigate. State prosecutors are required to inform a suspect s/he is under investigation for money laundering, which may provide opportunities for persons to obscure or destroy key evidence.

Bulk cash smuggling investigations must be completed within 30 days, hampering convictions. The law only stipulates administrative fines for failure to declare cash/currency at a port of entry but not other financial instruments. Only international air travelers bringing in over \$10,000 in cash or other “taxable assets” are required to submit a customs declaration form.

Legislation to implement a non-conviction-based asset forfeiture framework still languishes in the National Assembly. In addition, Ecuador must strengthen its mechanisms for seizing, managing, and disposing of illicit assets, which suffer from archaic bureaucratic policies and procedures.

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

UAFE referred 10 possible money laundering cases to the AGO between January and October 2020. The government does not publish statistics on money laundering-related prosecutions and convictions.

Pursuing public corruption is a top priority for President Moreno’s government. In 2020, the AGO formed a multidisciplinary task force to investigate corruption cases related to public procurement during the COVID-19 health emergency, including the Pedernales Hospital case in which National Assembly members and public procurement officials are implicated. The AGO secured eight judgments derived from bribery investigations in 2020. Authorities continue to investigate and prosecute high-level government officials for bribery, embezzlement, illicit enrichment, money laundering, and organized crime. The AGO also continues to investigate allegations against PetroEcuador and the Brazilian construction company Odebrecht and to seek the recovery of \$14 million in this case.

The National Court of Justice convicted in absentia former president Rafael Correa on corruption charges.

El Salvador

OVERVIEW

El Salvador continued to make significant progress in combating money laundering during 2020, primarily due to efforts of the Attorney General's (AG) office. Poor regulatory AML/CFT oversight and enforcement, particularly with respect to DNFBPs, continue to make El Salvador more vulnerable to money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

El Salvador is geographically vulnerable to the transit of South American cocaine to the United States. El Salvador's dollarized economy makes it attractive for money launderers, and money laundering risks include organized crime, human trafficking, extortion, tax evasion, and corruption. A regional agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens.

El Salvador is a cash-based economy in which only 25 percent of the population uses bank accounts. The government has identified several trade-based schemes stemming from lax border and customs controls. In addition, lax regulatory AML oversight and enforcement, particularly with respect to DNFBPs, make El Salvador more vulnerable to money laundering.

Organized crime groups launder money through various means, including front companies, travel agencies, remittances, import and export goods, and cargo transportation. Illicit activity includes the use of smurfing operations.

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

KEY AML LAWS AND REGULATIONS

Legislation to address regulatory and supervisory issues related to coordination and authorities and provide comprehensive AML/CFT reforms is pending within the legislative assembly.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The lack of strong regulatory bodies to properly supervise and enforce the law in all sectors remains a significant problem. El Salvador's regulatory institutions are either nonexistent or weak and are not authorized to fine or punish noncompliance. Affected sectors include some financial services in the traditional banking sector, such as savings and loans cooperatives, and other DNFBPs, to include casinos, real estate agents, dealers in precious metals/stones, and

professional services (notaries, accountants, and lawyers). Poor coordination and information-sharing between El Salvador's FIU and other regulatory bodies is also problematic.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

El Salvador's FIU is understaffed with only 19 permanent staff members, including three attorneys and seven analysts. Criminal investigations and prosecutions are primarily handled by the AG's specialized Group Against Impunity (GCI), made up of approximately 20 prosecutors and 14 analysts, and a separate AML unit currently made up of 14 prosecutors and five financial analysts.

Because there is little regulatory enforcement with respect to international transfers, regulatory authorities in El Salvador do not have the capacity to tell whether money laundering methods are being used to launder criminal proceeds or fund terrorist activities.

In fiscal year 2020, the GCI reported filing criminal charges in several high-profile cases, including against the former president of the legislative assembly Sigfredo Reyes and the former president of the state audit institution Hernán Contreras Rodríguez. The Money Laundering Unit also reported a number of significant ongoing cases, which are still in judicial proceedings, involving drug-trafficking organizations, one of which involves \$5.5 million in laundered proceeds and the other \$17.8 million. The unit also reported progress on two corruption cases involving former president Carlos Mauricio Funes.

In addition, Salvadoran prosecutors won an appeal in the first money laundering case against leaders and collaborators of the MS-13 gang, in what is widely known as Caso Jaque. In July 2020, the appellate court reversed acquittals from a 2018 trial against several MS-13 members and associates on money laundering charges. The Court of Appeals found ample evidence to support money laundering convictions against the charged defendants and that the trial court had erred by not giving sufficient weight to circumstantial evidence presented at trial. The Court of Appeals ordered a re-trial on the money laundering charges included in the case.

Georgia

OVERVIEW

As with narcotics, Georgia is part of an international system of money laundering. Georgia's ease of doing business attracts investments, but also eases entry of ill-gotten funds into the financial system. In June 2020, the Financial Monitoring Service (FMS), Georgia's FIU, adopted new regulations to further define Georgia's AML/CFT regulatory framework, and law enforcement utilized monitoring mechanisms created in previous years to identify links between drugs, organized crime, and money laundering. Much of the illegal income in Georgia derives from banking fraud and cybercrime. Cryptocurrency is unregulated in Georgia and is an area that Georgia should address, along with its gaming industry.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Considerable illegal income in Georgia derives from banking fraud and cybercrime. Social engineering schemes are also used to commit mass marketing fraud. Banking systems and money transfer services are the primary means to move funds, and Georgia is often just one link in an international criminal chain. The general economic situation in Georgia, which is far from being a developed economy, forms fruitful ground for money launderers to find front men. Ease of doing business, which enhances Georgia's attractiveness for clean investments, is a vehicle for ill-gotten funds to enter the financial system. Cryptocurrency is unregulated in Georgia, increasing vulnerability to money laundering.

Based on the monitoring mechanism created in previous years, prosecutors established links between drugs, organized crime, and money laundering.

The unchecked growth of the gaming industry, including internet gaming, is concerning. According to the FMS January 2019 annual report, there are 449 lotteries and gaming institutions registered in Georgia and 34 casinos. The Ministry of Finance supervises lottery organizations, gaming institutions, and casinos for AML compliance. The AML obligations of gaming establishments are identical or substantively similar to the requirements placed on other covered entities.

KEY AML LAWS AND REGULATIONS

Georgia has an adequate legal and institutional framework for investigating and prosecuting money laundering offenses.

As required by its *Law on Facilitating the Prevention of Money Laundering and Terrorism Financing*, Georgia further refined its AML/CFT regulatory framework by realigning key guidelines, including rules on record-keeping, storage requirements, and reporting of information to the FMS, and creating new customer identification and verification procedures. The new rules introduce reporting timeframes, take a risk-based approach, and promote increased efficiency. The law applies EDD to both domestic and foreign PEPs.

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

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Bitcoin and other virtual currencies are extremely popular in Georgia. Georgia continues to be a popular virtual currency mining location. Georgia lacks experienced cybercrime labs and only has a handful of qualified digital forensic analysts. Training and capacity-building efforts need to be directed toward these areas and toward improving legislation on collecting and analyzing digital evidence. The Prosecution Service of Georgia (PSG) recently created a new cybercrime

department and is in the process of developing cryptocurrency seizure guidelines to be used in the law enforcement community.

Over the last two years, the number of STRs submitted by gaming businesses has increased from 1 in 2018 to 10 in 2020. This change is attributed to government efforts to establish monitoring departments within the gaming entities, develop guidelines on the reporting requirements for gaming businesses, and implement awareness-raising programs. However, the overall number of reports is still suspiciously low and may indicate the gaming industry may not be fully complying with existing regulations.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Georgia's 2019 money laundering/terrorism financing NRA weights money laundering risks as medium and terrorism financing risks as low.

Georgian prosecutors and law enforcement authorities should continue to put emphasis on pursuing links between organized crime and money laundering. The PSG utilized newly secured software to help uncover connections and data patterns and assist in identifying and disrupting money laundering threats. Georgia has policy-level interagency cooperation but lacks a task-force approach at the operational level. A task-force approach would facilitate greater exchange of information and cooperation, pulling together intelligence and resources to attack financial crimes. Georgia also should take steps to supervise and improve regulation of its gaming industry.

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. Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely disclose financial components. Narcotics trafficking is rarely established as a predicate offense for money laundering. In 2020, several successful money laundering cases were linked to drug trafficking and other organized crime involving large sums of money; however, the overall number of money laundering cases is low compared to the number of predicate offenses. In fiscal year (FY) 2020, 36 money laundering prosecutions were initiated, compared to 25 in FY2019. In FY2020, two people were convicted of money laundering; the PSG attributes the low conviction rate to delayed court proceedings due to COVID-19 restrictions. STRs still remain the main source of money laundering investigations. Georgia should increase the efficiency of parallel investigations, and more effectively utilize forfeiture laws.

Ghana

OVERVIEW

Ghana's AML laws continue to be in line with international standards, and the country is working to implement its AML regime across all sectors and institutions. Ghana is continuing to consolidate its banking and financial sectors, with new capital requirements and corporate governance standards reducing the number of banks and non-bank financial institutions

operating in the country. This, along with a positive trajectory of improved banking supervision, could simplify oversight but should not adversely affect the filing of STRs and CTRs.

In September 2019, Ghana developed a national AML/CFT policy and action plan to address the strategic deficiencies identified in the 2016 NRA. An action plan created in 2018 addresses strategic deficiencies noted by international experts. Ghana should continue to work on ensuring the timely access to accurate and current beneficial ownership information; ensuring the Ghana Financial Intelligence Center (FIC), the FIU, is focusing its activities on risks identified in the NRA; and applying a risk-based approach for monitoring NPOs.

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

The FIC continues to work with international partners to conduct trainings for law enforcement agencies, though that effort has stalled due to COVID-19. Ghana continues to work on a nationwide capacity building workshop on AML/CFT and the proliferation of weapons of mass destruction for law enforcement agencies in several regions of the country.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

DNFBPs are vulnerable to money laundering. Major vulnerabilities are the lack of enforcement and ineffective adherence to CDD requirements by most DNFBPs. Ghana continues to work toward sector-specific AML guidelines but lacks a robust risk assessment methodology for the DNFBP sector. The FIC conducted a nationwide AML/CFT training session for targeted DNFBPs in 2019. It also conducted risk assessments of legal persons and arrangements and of NGOs. Follow-up in 2020 was delayed due to COVID-19.

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

KEY AML LAWS AND REGULATIONS

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

Ghana has comprehensive KYC and STR regulations and legal persons are covered. In 2019, President Akufo-Addo signed a new companies act to include provisions to establish a beneficial ownership register managed by the Registrar General, although implementing regulations are still required to ensure compliance.

Ghana and the United States do not have a bilateral MLAT. The foundation for extradition between Ghana and the U.S. is derived from the 1935 U.S.-U.K. treaty that was inherited by Ghana after independence in 1957. United States-Ghana legal assistance cooperation is underpinned by various UN conventions to which both the U.S. and Ghana are parties.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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

There is no organized national response in the NPO sector to combat possible money laundering or terrorist financing abuse, and submission of NPO annual financial statements and records of operation remains a challenge. Ghana conducted a nationwide rollout of AML/CFT sensitization programs for NPOs in 2019.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Ghana's implementation of a single national identity card is ongoing, with repeated delays. Identification of customers for purposes of KYC remains challenging, as many of the publicly owned identity verification databases are still not fully available.

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

Ghana's FIC and international partners train public and private sector entities on current money laundering and terrorist financing trends to raise awareness and reporting to the FIC.

Ghana continues to work toward compliance with international AML standards. Several agencies maintain combined statistics on convictions; separate data on money laundering convictions is not readily available, though international partners are working with Ghana to mitigate that issue. In partnership with Ghana, an international donor funded the development of

an information-sharing database that connects various sectors over which the FIC has jurisdiction. The database came online in late 2019/early 2020.

Guatemala

OVERVIEW

Guatemala remains a key transit route for narcotics to the United States and cash returning to South America. The government faces significant challenges combating corruption, money laundering, and financial crimes related to narcotics trafficking. The Public Ministry (MP), Guatemala's justice department, has improved coordination between prosecutors and law enforcement agencies so as to conduct financial investigations and consider money laundering charges when investigating extortion, corruption, and trafficking investigations. However, more progress is needed, especially in light of the influence of drug traffickers over some elected officials within Guatemalan institutions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Guatemala's geographical equidistance between South American coca sources and U.S. drug markets, coupled with public corruption, make Guatemala a strategically important country for drug transit and money laundering. Guatemala's fight against corruption has exposed criminal organizations dedicated to the planning, brokerage, execution, and concealment of illicit profits. These structures exploit Guatemala's public corruption, laws, and institutions and ultimately contribute to the Guatemalan government's opaque contract implementation.

In the private sector, money laundering commonly occurs through real estate, construction, and ranching transactions. Guatemala's laws also provide money laundering opportunities through various categories of DNFBPs.

The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua permits the free movement of citizens across shared borders without cash declaration requirements.

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

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

KEY AML LAWS AND REGULATIONS

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 and the United States do not have an MLAT. 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 Prosecution Office of International Affairs in the MP works closely with the U.S. Department of Justice to coordinate timely responses to financial information requests.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Guatemala does not prohibit deposit structuring to avoid reporting requirements.

International experts noted deficiencies in Guatemala's AML laws with respect to DNFBPs, 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, micro-lenders, and casinos. In July 2020, the Special Verification Supervisor in the Bank Superintendent's office proposed new AML and terrorism financing legislation to address these deficiencies by expanding the professions and activities required to comply with reporting requirements and enforcing risk mitigation policies to combat money laundering and terrorism financing activities. While the proposed legislation is being considered by the Guatemalan congress, few believe it will pass as proposed.

The lack of an MLAT with the United States creates hurdles to the repatriation of assets linked to criminal activities and to collaboration to enforce asset forfeiture orders. In addition to legal deficiencies, the lack of coordination among domestic agencies and institutions and limited human resources have led to mixed results applying those laws, including enforcement of the AML and SAR regulations, and application of the KYC procedures. This is problematic, as most money laundering cases prosecuted by the MP originate from bank SARs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Guatemala struggled to enforce its AML and asset forfeiture laws in 2020, largely due to the COVID-19 pandemic closing courtrooms but also due to staffing shortages, insufficient collaboration among relevant agencies, technological shortcomings, and procedural inefficiencies. In 2019, the MP filed indictments on 53 percent of the money laundering complaints it received, while in 2020 this percentage was 29 percent. In 2019, the MP obtained judgements on 32 percent of the asset forfeiture cases it prosecuted, however in 2020 this fell to 17 percent.

Although the pandemic has created complications for the MP, Guatemala had some important successes in 2020. The MP uncovered more than \$15 million in cash hidden in the residence of a former minister wanted for money laundering. Another former minister of economy was

charged in the United States for alleged money laundering. The storage of cash by corrupt actors may indicate they are deterred from using financial institutions to launder money due to the inherent risks created by existing AML regulations and procedures.

Guyana

OVERVIEW

Unregulated currency exchange houses and dealers in precious metals and stones pose risks to Guyana's AML/CFT system. Other sectoral vulnerabilities include the banking industry and unregulated attorneys, accountants, real estate agents, used car dealers, and charities. Guyana has made significant progress on the AML/CFT front, but more investigations and successful prosecutions are necessary.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Guyana's 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. Guyana's weak licensing policies and procedures followed by Guyana's banking and financial institutions increase the risk of drug money laundering.

Guyana does not have FTZs, offshore financial centers, virtual currency platforms, or economic citizenship programs. Guyana does permit gaming, and the Gaming Authority of the Republic of Guyana (GARG) regulates and supervises all gaming activities. Its website lists one licensed casino, one state lottery, and eight betting shops.

Common money laundering typologies include 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 AML LAWS AND REGULATIONS

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

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

In January 2020, the government started its second NRA. The government estimates it will be concluded early in 2021. International donors trained government financial sector personnel and legal officers on the use of the NRA tool and on AML best practices in the oil and gas sector and illegal wildlife trade. The Bank of Guyana, Guyana Securities Council, GARG, and Guyana Revenue Authority conducted several onsite inspections of financial entities to identify areas for improvement.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Guyana's AML legislation covers legal persons and provides EDD for PEPs. However, the government identified remaining deficiencies within its AML legislative framework it intends to correct, including information-sharing restrictions on the FIU and the exclusion of international organizations from the definition of PEPs.

Guyana lacks standardized provisions for secure electronic communications and transactions. The government has a risk-based assessment plan from its 2017 NRA but lacks a national strategic plan for combatting money laundering and terrorist financing. 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 Egmont Group membership in 2011 but its application is still pending. Guyana has satisfied some of the Egmont Group's criteria, however, has yet to comply fully with the Egmont Group's recommended changes to its AML/CFT Act. The Egmont Group recommends the Act define the "relevant authority" to receive and investigate FIU reports and include provisions to give the FIU the power to exchange financial information and to independently enter into agreements with foreign FIUs.

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. The government disbanded the State Asset Recovery Agency and National Anti-Narcotic Agency in October 2020.

The FIU initiates investigations by referring cases to SOCU. The FIU submitted eight STRs in 2020. SOCU launched investigations into these and other reports of suspicious transactions, and in September 2020 made a successful application for forfeiture of \$28,000 believed to be the proceeds of narcotics trafficking and money laundering. The government reports statutory time limits to prosecute money laundering cases and non-cooperation by stakeholders with SOCU hinder successful prosecutions.

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

Haiti

OVERVIEW

Haitian gangs are engaged in international drug trafficking and other criminal and fraudulent activity. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Much of the drug trafficking in Haiti, and related money laundering, is connected to the United States. Important legislation was adopted over the past several years, in particular anticorruption and AML laws, but the weakness of the Haitian judicial system, impunity, and a lack of political will leave the country vulnerable to corruption and money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Most of the identified money laundering schemes involve significant amounts of U.S. currency held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud. Foreign currencies represent approximately 63 percent of Haiti's bank deposits.

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

Haiti has 157 licensed casinos and many unlicensed casinos. Gaming entities are subject to AML requirements. Haiti also has established the Haitian State Lottery under the auspices of the Ministry of Economy and Finance. Online gaming is illegal.

KEY AML LAWS AND REGULATIONS

Amendments in 2016 further strengthen Haiti's 2013 AML legislation by adding missing elements to the AML/CFT law to bring it up to international standards. A long-delayed anticorruption bill took effect in 2014.

The 2020 adoption of a new criminal code and a new criminal procedural code will provide the government with updated tools to prosecute corruption and money laundering cases. They are expected to be implemented over a two-year transition period. The adoption of the new codes will not itself 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 CFATF, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsr/CFATF-Mutual-Evaluation-Republic-of-Haiti-2019%20.pdf>.

AML DEFICIENCIES

The weaknesses of the Haitian judicial system and prosecutorial mechanisms continue to leave the country vulnerable to corruption and money laundering.

The amended AML/CFT law, despite strengthening the AML regulatory framework, undermines the independence and effectiveness of Haiti's FIU. The Central Financial Intelligence unit (UCREF), Haiti's FIU, is not a member of the Egmont Group, but is currently working with sponsors and applying for membership.

Haiti should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments. Casinos and other forms of gaming should be better regulated and monitored.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Haitian government's efforts to implement a better AML regime have stalled, in part due to the COVID-19 pandemic and the absence of a constitutional government. The 2020 adoption of a new criminal code is expected to facilitate bringing Haiti into compliance with international standards.

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 follow through by investigating, scheduling, and referring 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 its referrals. The May 2017 UCREF law reduced the UCREF's independence. The UCREF forwarded six cases to the judiciary in 2018, three cases in 2019, and only two in 2020.

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.

The government should continue to devote resources to building an effective AML regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The Government of Haiti should take steps to combat pervasive corruption at all levels of government.

Honduras

OVERVIEW

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

In the last quarter of 2019, Honduras, under the leadership of the Honduran National Banking and Insurance Commission (CNBS) and with donor support, established a national strategy on AML/CFT and combating weapons of mass destruction to implement laws and regulations related to DNFBPs. This comprehensive implementation effort involves multiple Honduran government agencies, including justice sector institutions.

However, because the DNFPB law and regulations have not been fully implemented, supervision and oversight to prevent money laundering is limited. The lack of capacity to investigate complex financial transactions also contributes to a favorable money laundering climate.

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 the underground economy. Trade-based businesses commonly used to launder funds include those operating in the automobile and real estate sectors, remittance companies, currency exchange houses, credit unions, the construction sector, and cattle ranching.

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

A regional treaty between El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of citizens between these countries, leaving each country vulnerable to the cross-border movement of contraband and cash.

KEY AML LAWS AND REGULATIONS

Honduras established a comprehensive national AML/CFT strategy in 2019. Honduras has KYC and STR regulations, but additional procedures are necessary for full implementation of the 2015 AML law.

Currently, there is no bilateral treaty between Honduras and the United States that allows for exchange of records. However, Honduran authorities have allowed records and information exchange under the terms of relevant UN conventions that establish the process of mutual legal assistance between states parties. Records and other documents are provided through U.S. law enforcement agencies in Honduras that can testify as to their genuineness and validity when not requested through an official mutual legal assistance request.

Honduras is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/GAFILAT-MER-Honduras-2016-English.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The definition of money laundering contained in the new penal code, which took effect in June 2020, presents some setbacks when compared with the previous 2015 AML law. For example, the underlying offense for the new crime has been changed from “illicit activity” to “serious crime,” increasing the legal threshold and thus making it harder to prove. According to the Honduran congress’ interpretation of the AML law, regulated entities must retain records of transactions for five years and the record-keeping applies to each transaction, not for the client’s entire file. As a consequence, financial information related to possible money laundering cases could be incomplete or unavailable. 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. While the AML law allows the Public Ministry (PM) to request financial information directly from the FIU, some PM units channel their requests through senior PM authorities leading to delays. The poor information flow between the PM and the FIU has left cleared individuals on the financial risk list unnecessarily. Regulated entities are not always notified when investigations are closed administratively.

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 PM financial analysts require training on financial institution products, international standards, financial analysis, report writing, relevant Honduran laws, and STR and CTR analysis.

The Public Records Office has made efforts to begin file digitalization at a national level, although most public property records remain in hard copy and poorly organized, impeding effective investigation. The Property Institute, through its Intelligence Registry Office, keeps

track of real estate and vehicle operations susceptible to money laundering. Announced in 2016, this initiative is becoming operational with the support of CNBS and once fully implemented will help prevent corruption and collect information for money laundering investigations.

With donor support over several years, Honduras officially established the Financial Investigation Police Office (OPIF) as a unit within the Honduran National Police. Previously an ad hoc investigation unit, it is now recognized under Honduran law, conducting financial investigations related to money laundering and asset forfeiture.

Hong Kong

OVERVIEW

Hong Kong, a Special Administrative Region (SAR) 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 TBML and underground finance. Hong Kong shell companies can be exploited to launder money, facilitate illicit trade, and gain access to the international financial system.

Hong Kong officials indicate the primary sources of laundered funds are from local and overseas criminal activity, fraud and financial crimes, illegal gaming, loan sharking, smuggling, and vice. Groups involved in money laundering range from local street organizations to sophisticated international syndicates involved in assorted criminal activities, including drug trafficking.

Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club, a non-profit entity that collaborates with law enforcement to disrupt illegal gaming outlets.

KEY AML LAWS AND REGULATIONS

Hong Kong has AML legislation allowing the tracing and confiscation of proceeds derived from drug-trafficking and organized crime. Hong Kong's *Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance* (AMLO) details covered institutions' compliance obligations regarding legal and supervisory requirements.

Under the AMLO, covered institutions must carry out CDD procedures. STRs must be filed in a timely manner with Hong Kong's Joint Financial Intelligence Unit (JFIU), which is jointly run

by the Hong Kong Police Force and the Hong Kong Customs & Excise Department (CED). The AMLO requires DNFBPs to abide by the same set of CDD and record-keeping requirements as covered financial institutions. Hong Kong's *Companies Ordinance* (CO) further requires trust and company service providers to pass a fit and proper test and obtain a license from the companies registry. The CO also requires companies incorporated in Hong Kong to maintain beneficial ownership information.

Hong Kong has a declaration and disclosure system to detect the movement of physical currency and bearer negotiable instruments (CBNIs) into and out of the city. An advance declaration must be made to the CED for cargo consignments importing or exporting large quantities of CBNIs.

In June 2020, the Hong Kong Monetary Authority (HKMA) issued a circular applicable to remote customer account-opening facilities. Banks and fintech firms should conduct an adequate initial AML/CFT risk assessment, adopt a risk-based approach, maintain both continuous management and monitoring of adopted technology, and continuously monitor account vulnerabilities.

In September 2020, the HKMA updated its guidance, requiring both local and international banks in Hong Kong to treat suspected breaches of the newly implemented national security law the same as AML/CFT violations and report them to the JFIU as STRs.

In September 2020, the Securities and Futures Commission (SFC) launched a public consultation with the goal of proposing several amendments to its AML/CFT guidelines for SFC-licensed firms. Among the amendments, the SFC proposes enhanced CDD measures under a risk-based approach. The SFC also suggests banning international relationships that involve shell companies and extending the cross-border correspondent relationship provisions in the AMLO to cover securities, leveraged foreign exchange, and futures contract transactions. The deadline for responses to the consultation paper is December 18, 2020.

Hong Kong is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/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 involving foreign predicate offenses, such as tax evasion or corruption.

Some supervisors and self-regulatory bodies, particularly those overseeing DNFBPs, need to strengthen their understanding of AML risk, develop a risk-based approach, and enhance their supervisory and enforcement actions. Overall, limited sanctions have been applied against some sectors, including moneylenders. Dealers in precious metals and stones and financial leasing companies are not regulated for AML/CFT purposes.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Hong Kong has a low number of prosecutions and convictions compared to the number of cases investigated.

Under the *Executive Order on Hong Kong Normalization*, which directs the suspension or elimination of special and preferential treatment for Hong Kong, the United States notified the Hong Kong authorities in August 2020 of its suspension of three bilateral agreements. In response, the Hong Kong government suspended the *Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs*, which entered into force in 2000.

The 1988 UN Drug Convention was extended to Hong Kong in 1997, and UNCAC and the UNTOC were extended to Hong Kong in 2006.

In 2019, the JFIU received a total of 51,588 STRs and there were 103 money laundering convictions.

India

OVERVIEW

Indian Prime Minister Narendra Modi has prioritized curtailing illicit financial activity as part of his administration's efforts to formalize and digitize India's financial system to reduce corruption and increase the tax base. Nonetheless, India faces various money laundering vulnerabilities such as informal financing networks that largely serve illiterate, rural citizens; complex onshore and offshore corporate structures; and enforcement capacity constraints.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The most common money laundering methods include intermingling criminal proceeds with licit assets, purchasing bank checks with cash, routing funds through employees' accounts, and using complex legal structures. Transnational criminal organizations use offshore corporations and TBML to disguise the criminal origin 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. Laundered funds are derived from tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade.

As of October 2020, India had approved 426 Special Economic Zones (SEZs), of which 262 are operational. India has licensed nine offshore banking units (OBUs) to operate in the SEZs. HSBC was given approval to operate as an OBU in July 2020. Customs officers control access to 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.

KEY AML LAWS AND REGULATIONS

The *Prevention of Money Laundering Act* (PMLA) of 2002 and the rules by regulators Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) establish the broad framework for prosecution of money laundering in India. Since 2018, the *Real Estate Regulatory Authority Act* (RERAA) and the amended *Benami Transactions (Prohibition) Act* ensure a transparent environment for efficient and time-bound execution of projects in the real estate sector.

India has comprehensive KYC and STR requirements. In April 2020, the RBI added a section to its KYC guidance mandating banks and non-banking financial companies (NBFC) carry out money laundering/terrorist financing risk assessment exercises periodically to identify, assess, and take effective measures to mitigate money laundering and terrorist financing risks for clients, countries or geographic areas, products, services, and transactions or delivery channels. The RBI asked banks and NBFCs to conduct the first such internal risk assessment by June 30, 2020, and to review the assessment periodically thereafter. The regulation of housing finance companies (HFCs) was transferred to the RBI from the National Housing Bank in August 2019. In May 2020, the RBI required all HFCs to comply with KYC norms.

Legal persons in India are covered by criminal and civil laws against money laundering. India uses EDD for PEPs.

To facilitate digital onboarding of customers, the RBI, in January 2020, amended the *Prevention of Money-laundering (Maintenance of Records) Rules of 2005* to include the Video-based Customer Identification Process as a consent-based alternate method of establishing customers' identity.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. India's most recent MER is available at: <http://www.fatf-gafi.org/countries/d-i/india/>.

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 money laundering and terrorist financing are lower priorities.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

India has taken steps to implement an effective AML regime. For example, in February 2020, SEBI clarified that foreign investors from countries designated as high-risk for money laundering will continue to be eligible for registration in India but will face tougher KYC procedures, as well as heightened compliance and regulatory scrutiny. In January 2020, the RBI imposed a monetary penalty for non-compliance with KYC and AML requirements on payment system operators and banks under the *Payment and Settlement Systems Act of 2007*.

In March 2020, the Indian Supreme Court allowed dealings in cryptocurrency, removing an earlier RBI ban on trading in virtual currencies, including bitcoin.

Despite the government's efforts, deficiencies remain. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Authorities believe India has insufficient investigators to analyze the enormous amount of potential money laundering data obtained during demonetization.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups. India is demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges that limit its ability to provide assistance. India has addressed shortcomings in the criminalization of money laundering, as well as its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations. India should extend its safe harbor provision to cover all 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 corruption and tax avoidance, followed by drug trafficking, and to a lesser extent illegal logging, wildlife trafficking, theft, bank fraud, embezzlement, credit card fraud, and the sale of counterfeit goods. Proceeds from these predicate crimes are laundered through the banking, capital markets, real estate, and motor vehicle sectors. Proceeds are also laundered offshore and then repatriated to Indonesia as needed.

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 AML 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. 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 financing smaller terrorism attacks through use of domestic contributions requested and made through social media and nonprofit organizations. These networks are also increasingly using sophisticated efforts to avoid monitoring and detection of communications.

KEY AML LAWS AND REGULATIONS

KYC requirements have been part of Indonesia's AML regime since 2001. PEPs are subject to EDD. In 2018, the president issued *Presidential Regulation 13*, and in 2019, the Ministry of Law and Human Rights issued implementing regulations 15 and 21 calling for the disclosure of beneficial owners.

In May 2017, Indonesia issued an executive order giving Indonesian tax authorities better access to financial accountholder data and providing legal cover to exchange accountholder data under the OECD's Global Forum Automatic Exchange of Information.

Indonesia is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The primary factors hindering the fight against narcotics-related money laundering are 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.

Since most 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. According to commission statistics, the commission prosecuted 25 new cases in the first half of 2020, compared with 127 new cases for the full year in 2019.

While Indonesia has made progress in addressing major technical deficiencies related to UNSCR financial sanctions, issues remain, such as Indonesian's failure to implement UN listings without delay and the lack of a clear prohibition on providing funds or financial services to designated

persons. More effective information sharing with international law enforcement is also needed to make Indonesia a more meaningful partner in international AML/CFT efforts.

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. Combating narcotics abuse is a priority for the current administration, and Indonesia recognizes the need for international cooperation.

The Indonesian Financial Transaction Reports and Analysis Center (PPATK), Indonesia's FIU, invites the public to report any suspicious transactions. PPATK publishes a monthly report summarizing reporting activity. In addition to CTR and STR data, PPATK and the Ministry of Finance's Directorate General of Customs and Excise jointly publish a cash carry report to track physical cross-border transfers of cash. For the period January-June 2020, PPATK referred 240 results of Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators – a 3.2 percent reduction year over year. Most were alleged corruption cases. For the period January-June 2020, PPATK produced 12 examination reports, the same number as the prior year.

There were eight money laundering convictions between January-June 2020.

Iran

OVERVIEW

Iran has a large underground economy, spurred in part by uneven taxation, widespread Islamic Revolutionary Guard Corps (IRGC) corruption and smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. Pervasive corruption continues within Iran's ruling and religious elite, the IRGC, government ministries, and government-controlled business enterprises. Iran remains a major transit route for opiates smuggled from Afghanistan.

In 2011, the United States identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. On October 25, 2019, FinCEN issued a final rule under this authority prohibiting the opening or maintaining of a correspondent account in the United States for or on behalf of an Iranian financial institution. The rule also prohibits foreign financial institutions' correspondent accounts at covered U.S. financial institutions from processing transactions involving Iranian financial institutions. Additionally, the FATF has repeatedly warned of the risk of terrorist financing posed by Iran and the threat this presents to the international financial system. From 2016 until February 2020, the FATF suspended its call for countermeasures against Iran in response to a high-level political commitment from Iran's government to implement certain reforms, outlined in a 10-step action plan. In February 2020, due to Iran's failure to complete its action plan the FATF lifted its suspension of countermeasures, calling on all jurisdictions to impose effective countermeasures on Iran.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. In April 2019, the United States designated Iran's IRGC as a foreign terrorist organization.

KEY AML LAWS AND REGULATIONS

Iran has criminalized money laundering and has KYC and STR requirements. Iran has a declaration system for the cross-border transportation of currency. The declaration system is applicable at 14 points of entry, applies to amounts over approximately \$11,500 (€10,000), and requires Iranian Bank Melli, which is designated by the U.S. Treasury Department for its link to the IRGC-Qods Force (IRGC-QF), to take temporary custody of the currency until it is cleared for passage in or out of Iran.

Iran is not a member of a FATF-style regional body but is an observer to the EAG. Its FIU is not a member of the Egmont Group.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran. The Iranian regime subsequently pledged to complete a FATF-generated action plan but failed to complete the items in the action plan before the plan expired in January 2018. Most critically, Iran failed to ratify the UNTOC and Terrorist Financing Convention. Supreme Leader Khamenei questioned Iran's joining the international conventions on terrorist financing and money laundering, which many hardliners argued might limit Iran's ability to finance Hamas and Hizballah. Subsequently, in February 2020, the FATF lifted its suspension of countermeasures, calling on all jurisdictions to impose effective countermeasures on Iran, 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.

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 EOs, against key Iranian financial institutions, other entities, and individuals.

Iran has an asset forfeiture system, but it is not fully compliant with international standards. Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

On November 5, 2018, the United States re-imposed all U.S. nuclear-related sanctions against Iran. The sanctions target critical sectors of Iran's economy and certain transactions involving insurance providers, the Central Bank of Iran (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. On November 5, 2018, OFAC placed more than 700 individuals, entities, aircraft, and vessels on the list of Specially Designated Nationals and Blocked Persons.

Since 2018, the Departments of State and the Treasury have used the full range of sanctions authorities to target hundreds of Iranian persons involved in activities in support of Iranian-sponsored terrorism, proliferation, and oil-related schemes, among others, including the September 2019 designation under EO 13224 of the CBI, which provided billions of dollars to the IRGC-QF and to Hizballah.

Italy

OVERVIEW

According to the IMF, in 2020 Italy's economy was ranked eighth largest in the world and the third largest in the Eurozone. Italy has a sophisticated AML regime and legal framework. 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, the black market accounts for 12.1 percent of GDP, or approximately \$235 billion. Tax crimes also represent a significant risk and have been identified as accounting for 75 percent of all proceeds-generating crime in Italy.

While on the rise, CDD and suspicious transaction reporting remain weak among non-financial sectors, and regulations and enforcement are inconsistent. Italy adopted laws implementing the Fifth EU AML Directive with decree no. 125/2019. New CDD provisions went into effect in January 2020 that 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

The COVID-19 health emergency exposed the financial system to threats related to the procurement of medical equipment and supplies and the repackaging of unpaid medical invoices into specialized debt products to facilitate money laundering. Front companies for organized crime working in the Italian healthcare sector managed to offload invoices owed to them by regional health authorities to unwitting intermediaries, who then sold them on again to legitimate financial companies. The economic weakening of families and small-and-medium enterprises has also increased the risks of predatory lending and the infiltration of firms by criminal organizations. Large flows of public aid could also be subject to misuse or misappropriation by regional and local government officials.

Drug trafficking continues to be a primary source of income for Italy's organized crime groups, which exploit Italy's strategic location and maritime trade linkages to do business with criminal

organizations around the globe. Other major sources of laundered money are proceeds from tax evasion and value-added tax (VAT) fraud, smuggling and sale of counterfeit goods, marketing internet protocol television, extortion, and waste trafficking.

Law enforcement investigations have identified an increasing use of TBML schemes and virtual currencies to launder and disguise illicit proceeds and payments through legitimate trade transactions.

KEY AML LAWS AND REGULATIONS

The Ministry of Economy and Finance is host to the Financial Security Committee, which establishes policy regarding financial transactions and AML efforts. The committee updated Italy's NRA in 2019. The Bank of Italy (BOI) continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies. In response to the continuing challenges of money laundering, the Italian government enacted decree law 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. Also, financial penalties assessed by Italian financial sector supervisors against legal and natural persons for AML breaches have been increased to be more dissuasive.

Italy has a bilateral MLAT with the United States.

Italy is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Italy-2016.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

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, as per the new AML directive.

DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs. DNFBPs also are not legally required to file a STR when the beneficial owner is not identified in a business transaction. Authorities plan to continue to implement measures to significantly increase the number of STRs filed by DNFBPs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The criminalization of self-money laundering increases the severity of convictions for this crime and acts as a deterrent. The provision, in force since 2016, is now extensively used both by investigative authorities and prosecutors and has proved effective in tax evasion cases.

The Financial Intelligence Unit (UIF) is the government's main body for collecting and analyzing STRs, which are circulated to specialized law enforcement agencies (Guardia di Finanza, Defense Intelligence Agency; 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. The UIF (in collaboration with the BOI) developed artificial intelligence detection of suspicious transactions. In 2019, the UIF received 105,789 STRs; 7,759 more than the previous year.

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. The country recorded a large number of financial crimes related to advance fee fraud (lottery scams), corruption, counterfeit goods, small arms trafficking, and cybercrime.

On September 1, 2020, the Jamaican Financial Investigations Division (FID), which includes the FIU, went live with its electronic portal, which allows businesses that fall under Jamaica's *Terrorism Protection Act* (TPA) to report transactions over \$10,000 online and provides the FID with a reporting and intelligence tool.

The Government of Jamaica continues to enforce the asset forfeiture provisions of the *Proceeds of Crime Act* (POCA) with moderate success, but the law still is not being implemented to its fullest potential due to difficulties prosecuting and achieving convictions in financial crime cases. Law enforcement, prosecutors, and the judiciary lack sufficient resources and training to investigate and prosecute financial crimes efficiently and effectively.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Political and public corruption 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 in Jamaica.

KEY AML LAWS AND REGULATIONS

In October 2019, the government tabled in parliament the *Proceeds of Crime (Amendment) Act 2019*, the *Terrorism Prevention (Amendment) and United Nations Security Resolution Implementation (Amendment) Acts 2019*. This was followed by the tabling of regulations to implement POCA in November 2019. The amendments were largely a response to international experts' recommendations.

The POCA permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. The FID continues to work with partners in the Jamaica Constabulary Force (JCF) and others to pursue cases that could result in seizure of assets.

The *Banking Services Act* allows for stronger enforcement powers and greater information sharing among the Bank of Jamaica, the Financial Services Commission, and foreign counterparts. Several DNFBPs, such as real estate dealers, accountants, gaming establishments, and casinos, are subject to AML preventative measures.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The FID is a statutory body within the Ministry of Finance. The Minister of Finance must provide approval for the FIU to make arrangements or engage with foreign entities on exchange of information. This is a limitation to the operational independence of the FIU.

Lengthy delays in investigating and prosecuting cases hinder the effectiveness of the Jamaican judicial system. As a result, money laundering cases are hampered by the general backlog of criminal cases in the courts. The Jamaican courts and prosecutors have been unable to keep pace with an increase in crime.

Law enforcement and prosecutors tend to pursue predicate offenses to money laundering, rather than pursuing money laundering as a stand-alone offense, due to the necessity of proving the unlawful conduct from which the laundering activity derives. In cases where money laundering offenses are investigated and charged in conjunction with a predicate offense, prosecutors sometimes dismiss the money laundering charges to secure a guilty plea from the defendant.

To date, the regulatory agencies have not used their enforcement authority to sanction reporting entities for identified violations of AML/CFT regulations.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Jamaica is currently pursuing several legislative reforms to address noted deficiencies. Financial institutions (including money remitters and exchanges) are subject to a range of preventative

measures. These entities file an inordinately high volume of STRs annually, the vast majority of which are likely defensive filings. The FID continues its POCA public awareness programs.

In 2019, 20 individuals were charged with money laundering predicated on either fraud, corruption, or narcotics trafficking. In 2019, five persons were convicted for money laundering and money laundering predicated on fraud (lottery scamming). Jamaican authorities also obtained penalty orders against drug traffickers and dealers of approximately \$245,900; against a corrupt public official for approximately \$134,000, and against a trader in counterfeit goods for approximately \$142,900. Overall, \$998,000 was seized and \$180,000 was forfeited in 2019.

On August 7, 2020, the FID forfeited \$3,612 from Abdullah El-Faisal under POCA after the United States asked to extradite him because of his alleged involvement in terrorist activities.

Relevant authorities collaborate on investigations and prosecutions in major cases. Authorities also regularly collaborate with foreign law enforcement on cases of mutual interest, and there are a number of joint initiatives to deal with such cases. In 2019, FID conducted a variety of training and outreach programs to 1,069 individuals in various financial institutions and law enforcement entities.

Jamaica's parliament passed legislation in 2019 to remove the Major Organized Crime and Anti-Corruption Agency from under the auspices of the JCF and make it an independent agency. The implementing regulations are being drafted.

Kazakhstan

OVERVIEW

Corruption, TBML, and drug trafficking remain the major sources of illicit proceeds and laundered funds.

In 2020, Kazakhstan adopted terrorist financing-related amendments to its AML/CFT law to bring it into better compliance with international standards and reassessed vulnerabilities identified in its 2018 NRA.

Through public pronouncements and amendments to the law, Kazakhstan is taking steps to comply technically with international AML norms, but there were no convictions for money laundering in 2020.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The major sources of laundered proceeds are graft by public officials, tax evasion, and fraudulent financial activity, particularly transactions using foreign shell companies to launder domestic funds returned to Kazakhstan in the form of foreign investments. In addition, smuggling of contraband and fraudulent invoicing of imports and exports remain common practices.

Governmental corruption, organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. 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 and opiates to Europe and Russia and thus is vulnerable to drug-related money laundering, although the flow of drugs through the country, as measured by seizures, appears to be declining. Tracking narcotics revenue remains difficult, as payments make use of informal remittance systems, such as hawala, or through the QIWI Wallet electronic payment system.

Kazakhstan's Astana International Financial Centre (AIFC), launched in 2018, is designed to be a regional financial hub and offshore zone that offers financial services. As of July 2020, it contains 500 firms from over 42 countries. Banking sector assets in the AIFC were \$680 million and equity capital raised encompassed \$291 million. 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. While the AIFC court considered five cases in 2019, it only brought one (a small claims matter) to conclusion. This AIFC enforcement mechanism appears to have worked as intended, but it remains untested in high-value, complex, or vigorously contested cases. Kazakhstan has 12 special economic zones, none of which 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 AML LAWS AND REGULATIONS

In addition to its analytical role, amendments to the AML/CFT law give the Committee for Financial Monitoring of the Ministry of Finance, Kazakhstan's FIU, supervisory responsibilities for reporting entities such as independent legal consultants, accountants, and realtors that were not previously regulated. Other changes include establishing the asset forfeiture fund, strengthening preventive CFT measures, monitoring NGOs, and strengthening regulations implementing UNSCRs on weapons of mass destruction.

In 2020 Kazakhstan started exchanging tax information with other countries under the OECD's Common Reporting Standard on Automatic Exchange of Financial Account Information. To counter corruption, Kazakhstan will ban civil servants and immediate family members from holding international bank accounts.

Kazakhstan and the United States have a bilateral MLAT.

Kazakhstan is a member of the EAG, a FATF-styled regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/countries/#Kazakhstan>.

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.

All reporting entities subject to the AML/CFT law are inspected by their respective regulatory agencies. Most regulatory agencies, however, lack the resources and expertise to conduct inspections for compliance. Largely because of cost, reporting entities (excepting banks) do not implement a risk-based approach to identifying suspicious transactions as part of their AML efforts.

There are no criminal or administrative liabilities for money laundering offenses for legal persons. EDD is required only for foreign PEPs, whereas domestic PEPs are not subject to EDD requirements. There is no registry of the beneficial owners of legal entities.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

During the first nine months of 2020, financial institutions in Kazakhstan submitted 523,224 STRs and 737,751 CTRs. Twenty cases were prosecuted but there were no convictions. The low number of money laundering investigations and convictions indicates more attention and resources should be devoted to financial investigations and training of investigators and prosecutors.

Kazakhstan is working jointly with the Stolen Assets Recovery initiative to recover proceeds of money laundering that are frozen overseas.

There is a two-tier AML/CFT certification program for private sector representatives that include both national and international components. Most Kazakhstani banks have at least one certified compliance specialist. Kazakhstan's National Bank, the Association of Financiers of Kazakhstan, and the FIU, jointly with international partners, conduct AML/CFT conferences for private sector representatives on a regular basis.

Kenya

OVERVIEW

Kenya remains vulnerable to money laundering, financial fraud, and terrorism financing. It is the financial hub of East Africa and pioneered mobile banking in the region. Money laundering occurs in the formal and informal sectors, deriving from domestic and foreign criminal operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, trade in illegal timber and charcoal, wildlife trafficking, and illicit trade in drugs and counterfeit goods, including sugar and other agricultural products.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Financial institutions engage in currency transactions connected to international narcotics trafficking, involving significant amounts of U.S. currency derived from illegal sales in the United States and Kenya.

Unregulated networks of hawaladars and other unlicensed remittance systems facilitate cash-based, unreported transfers. Foreign nationals, including refugees and ethnic Somali residents, primarily use the hawala system to transmit remittances internationally. Diaspora remittances to Kenya totaled \$1.78 billion between January and August 2020. DNFBPs are a likely vehicle 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 and frequently used in Kenya. Kenya's digital financial services and platforms are vulnerable to money laundering. Mobile moneylenders are not regulated despite widespread use of mobile lending applications. Most of Kenya's mobile money agents use Safaricom's M-Pesa system. M-Shwari, a mobile lender, has over 12 million registered subscribers, with 8 million active users.

Kenya is a transit point for the region and international traffickers of narcotics, persons, wildlife, timber, charcoal, and minerals. TBML continues to be a problem. Its proximity to Somalia makes it attractive for laundering of piracy-related proceeds, as well as other funds from unregulated Somali sectors, including the khat and charcoal trades. Goods reported as transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are actually sold in Kenya. Trade is often used to offset transactions in regional hawala networks.

KEY AML LAWS AND REGULATIONS

The *Proceeds of Crime and Anti-Money Laundering Act* (POCAMLA), as amended, provides a comprehensive AML framework. Covered entities reporting to the Financial Reporting Center (FRC), Kenya's FIU, are subject to KYC and STR rules and have EDD procedures in place for PEPs.

The Central Bank of Kenya (CBK) has adopted a risk-based AML/CFT regulatory framework. Commercial banks are expected to record and report all transactions above approximately \$10,000; CBK has imposed fines on violators.

The United States and Kenya do not have a bilateral MLAT; however, relevant multilateral law enforcement conventions with mutual legal assistance provisions and domestic laws allow the United States and Kenya to make and receive requests for assistance.

Kenya is a member of ESAAMLG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/j-m/kenya/documents/mutualevaluationofkenya.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

An automated system would improve the FRC's efficiency and ability to analyze STRs. Although the FRC receives STRs from some MVTs providers, this sector presents an AML compliance challenge. More broadly, the host government 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 and the Capital Markets Authority issued circulars warning banks and the public not to engage in digital asset trades, but a gap remains in formulating a framework to address digital asset threats. Tracking and investigating suspicious transactions within the mobile money sector remain difficult. Lack of oversight and enforcement in this sector, coupled with inadequate reporting, increases the risk of abuse.

Kenya's National Assembly has thus far failed to pass amendments to the POCAMLA to extend reporting requirements to lawyers, notaries, and other independent legal professionals.

To demand bank records or seize an account, police must obtain a court order by presenting evidence linking the deposits to a criminal violation. Confidentiality of this process is not well maintained, allowing account holders to be tipped off and providing an opportunity to move assets.

Despite progress, Kenya needs to strengthen implementation of good governance and anticorruption measures and improve its AML/CFT regime. Bureaucratic, logistical, and capacity impediments may hinder the investigation and prosecution of financial crimes.

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

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission (EACC) before the officials can open a foreign bank account. EACC has had some success in recent years with corruption investigations leading to successful prosecutions and asset seizures, but the agency requires technological support and training to grapple with more complicated money laundering operations. The government should allocate increased resources to building institutional capacity and investigative capacity within FRC, EACC, and other enforcement agencies.

Kyrgyz Republic

OVERVIEW

The Kyrgyz Republic is not a regional financial center, but a large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. Over the past five years, remittance transfers from migrant workers have compromised around 30

percent of GDP. A significant portion of remittances enter the Kyrgyz Republic through informal channels or are hand-carried from abroad. The Kyrgyz Republic is recognized as a reliable partner for foreign banks and other financial institutions, although no U.S. commercial banks operate in the Kyrgyz Republic or conduct correspondent banking with local banks. Over the last two years, the government passed new AML and criminal legislation to match international standards. The Kyrgyz Republic has shown little progress in some areas, but challenges in implementation suggests they are neither backsliding nor making progress in the fight against money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Absent exact figures, it appears narcotics trafficking is the main income source for organized crime. The country sits along the northern transit route from Afghanistan to Russia and beyond, particularly to Europe. Since the Kyrgyz Republic is a member of the Eurasian Economic Union, smuggled narcotics can travel from the Kyrgyz Republic to the Polish border without undergoing a customs check. The smuggling of consumer goods, tax and tariff evasion, and official corruption continue to serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk-cash couriers, and informal and unregulated value transfer systems. Weak political will, resource constraints, inefficient financial systems, competition for resources among state agencies tackling money laundering, and corruption serve to stifle efforts to effectively combat money laundering.

KEY AML LAWS AND REGULATIONS

The Kyrgyz Republic has a 2018 AML law with comprehensive KYC, CDD, and STR requirements covering financial and non-financial entities. The AML law also requires due diligence for PEPs, including foreign citizens, Kyrgyz citizens, and members of international organizations. Kyrgyz legislation includes criminal corporate liability and criminal liability for illicit enrichment, as well as the institution of plea bargaining, but Kyrgyz authorities require additional time and increased capacity to properly implement these provisions.

While the Kyrgyz Republic conducted a money laundering NRA, there remains a limited understanding of money laundering risks.

In 2020, due to the pandemic the State Financial Intelligence Service (SFIS), the Kyrgyz FIU, did not sign any international cooperation agreements. The Kyrgyz Republic and the United States do not have a records exchange mechanism in place currently, but both parties are parties to multilateral legal instruments that can be used to facilitate cooperation.

The Kyrgyz Republic is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/j-m/kyrgyzstan/documents/mer-kyrgyzstan-2018.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Kyrgyz Republic continues to bring its legislation into compliance with international

standards. The Kyrgyz Republic passed an anticorruption strategy for 2021-2024, which includes plans to better repatriate stolen assets. The Kyrgyz Republic substantially addressed its established action plan by adequately criminalizing money laundering and terrorism financing; strengthening CDD requirements; establishing an adequate legal framework for identifying, tracing, and freezing terrorist assets; and instituting 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. The efficacy of these changes remains to be seen.

Despite the legislative changes, significant gaps still exist in enforcement and implementation. The SFIS is the main state agency responsible for AML/CFT enforcement. SFIS is not an investigative agency and therefore lacks cooperation and information sharing with other law enforcement agencies. Both government and private institutions lack personnel, training, and capacity to enforce the law.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Kyrgyz Republic has AML and criminal legislation in accordance with international standards. The Kyrgyz Republic continues legislative implementation.

In 2020, the SFIS sent 81 financial investigative requests (66 on money laundering and 15 on terrorism and extremism financing) to the relevant law enforcement bodies. Per the SFIS' report, around \$2 million was seized and returned to the state budget and around \$1.8 million was frozen, pending further investigation. There is no other available data on prosecutions and convictions.

Although the Kyrgyz Republic makes efforts to strengthen AML/CFT legislation, law enforcement capacity remains weak. Additionally, interagency cooperation is poor and law enforcement agencies struggle 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 has sought to address gaps in its AML/CFT regime. The Lao government needs to make significant progress in the area of 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's AML regime; high-value purchases, including

land, real estate, and luxury vehicles, are routinely made with cash. Laos completed an NRA in 2018, which identified seven areas vulnerable to money laundering, but corruption was not among them.

Although gaming is illegal for Lao nationals, casinos operating in special economic zones serve foreign, mainly Chinese, tourists visiting Laos. According to the Anti-Money Laundering Intelligence Office (AMLIO), the Lao FIU, Laos is currently drafting a Decree on Casino and Gaming Operations to provide for supervision of casinos and gaming. Until this decree is passed and implemented, however, casinos pose a significant risk because government supervision appears to be minimal, including a lack of licensing requirements and no obvious enforcement mechanisms. Online gaming exists but is not licensed or supervised and there are no real enforcement mechanisms.

KEY AML LAWS AND REGULATIONS

Laos issued a new AML/CFT law in 2015 and revised its penal code in 2017 to include a new money laundering offense. Since then, the government has established the National Coordinating Committee on AML/CFT (NCC) to oversee AML/CFT implementation. With support from donors, the NCC has issued more than 21 regulations designed to support implementation of the AML/CFT law, including regulations concerning wire transfers, onsite supervisory examinations, and 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. AMLIO has MOUs with 14 overseas jurisdictions and regularly exchanges information related to individual and corporate accounts under investigation. AMLIO hopes to become a member of the Egmont Group, but has not yet met the standards for membership. This is one area in which AMLIO is receiving technical assistance.

Laos is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=a6c4a803-0e15-4a43-b03a-700b2a211d2e>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite considerable progress, gaps remain in Laos's AML/CFT regime. Known deficiencies include a lack of international cooperation, such as an aversion to passing mutual legal assistance laws and a reluctance to utilize informal platforms for information exchange. Additional challenges include the lack of an anti-proliferation financing law. 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.

Awareness and capacity among the state-owned commercial banks also remain weak. Most of the STRs submitted to the FIU originate from overseas financial institutions operating in Laos, and according to AMLIO, submissions typically only report administrative violations.

Deficiencies include a lack of oversight for MVTS providers and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed. The government amended and issued the *Instruction on MVTS report, No. 22/FISD*, effective September 26, 2018, directing the Bank of the Lao People's Democratic Republic and relevant authorities to raise awareness of the risks of AML/CFT and take steps to report suspicious activity within the MVTS sector. However, it is unclear whether the deficiencies have been cured by the amendments.

Laos has limited asset forfeiture options. There are several legal provisions – such as those included in customs regulations, anticorruption laws, and drug laws – which allow for asset seizure; however, they are primarily focused on the direct benefit or asset from the offense charged and convicted. 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.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although there appears to be broad support among Lao ministries for the AML/CFT regime, interagency cooperation needs to be improved.

Financial investigations are not conducted routinely in parallel with the investigation of predicate crimes. Although five money laundering cases were successfully prosecuted in 2020 – an increase from previous years – a shallow record of AML prosecutions does not demonstrate Laos has made significant progress in effectively and efficiently implementing its laws and regulations.

Liberia

OVERVIEW

The Government of Liberia has made efforts to strengthen its AML regime, but significant challenges remain. The Central Bank of Liberia (CBL) does not robustly enforce AML requirements, largely due to funding constraints. Interagency coordination has improved, but key stakeholders have not produced actionable financial intelligence, conducted systematic financial investigations, or secured financial crimes convictions. Financial institutions have limited capacity to detect money laundering, and their financial controls remain weak. Liberia's FIU is under-funded and has experienced recurring budget cuts. The FIU also lacks the institutional and technical capacity and equipment to adequately collect, analyze, and disseminate financial intelligence. Liberia remains a cash-based economy with weak border controls and endemic corruption, leaving the country vulnerable to illicit activities.

The government should enhance CBL oversight authority and consistently provide adequate resources to the FIU. Liberia should continue to work with international partners to ensure its AML laws, regulations, and policies meet international standards and are enforced.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Smuggled goods enter Liberia through numerous crossing points. The 2020 COVID-19 outbreak resulted in closures of land border crossings, which limited but did not stop smuggling. Illicit transactions are facilitated by Liberia's cash-based economy, in which both Liberian and U.S. dollars are recognized as legal tender.

Money exchange operations are poorly controlled, and there are numerous unlicensed foreign exchange enterprises and unregulated entities with opaque activities. Several 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, providing opportunities for illicit financial transactions.

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. Liberia does not have functional FTZs. While the National Lottery Authority exercises limited oversight of the country's two registered casinos, as well as lotteries, it has not proven capable of regulating the gaming industry.

KEY AML LAWS AND REGULATIONS

Liberian laws against money laundering and economic sabotage include the *Anti-Money Laundering and Terrorist Financing Act of 2012*, the *New Penal Law*, Title 26 of the *Liberian Code of Law Revised*, the *Liberia Anti-Terrorism Act of 2017*, the *Targeted Sanctions Against Terrorists Act of 2017*, and the *Special Criminal Procedures for Offenses Involving Terrorists Act of 2017*. Following a revision of the *FIU Act of 2012*, which establishes and governs the FIU, the entity has submitted a draft Financial Intelligence Agency bill to President Weah for his review. If passed into law by the legislature, that bill would create a Financial Intelligence Agency to replace the existing FIU.

In September 2020, the FIU held a stakeholders' validation workshop to validate the final phase of the money laundering/terrorist financing NRA. The NRA is meant to identify, assess, and understand money laundering/terrorist financing risks and apply risk-based approaches toward preventing or mitigating these activities in Liberia.

Liberia has a bilateral extradition treaty with the United States. Liberia and the United States do not have an MLAT; however, Liberia is a party to several multilateral conventions that permit international law enforcement cooperation.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Key challenges to developing a robust AML regime include limited capacity to enforce regulations, investigate financial crimes and illicit money flows, and conduct successful

prosecutions and asset recovery. Before October 2020, the FIU received 38 STRs, disseminated three to law enforcement officials and the judiciary, and placed seven on full monitoring. There were no prosecutions or convictions for money laundering in the last year.

International donors supported the Liberian government to build capacity and improve the operational effectiveness of the FIU to identify, analyze, and disseminate financial intelligence data. International partners also assisted the CBL to expand onsite examination of domestic banks and non-bank financial institutions and mentored enforcement authorities to develop financial crime cases. However, Liberia's lack of prioritization of the FIU is evidenced by three years of low budget allocations and consistent challenges accessing the funds allocated to the FIU.

The Liberian FIU has applied for Egmont Group membership and is awaiting feedback.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The CBL conducts AML/CFT inspections of commercial banks, as well as offsite surveillance and supervision of commercial banks' implementation of KYC and CDD guidelines. However, it has limited technical capacity to systematically monitor and enforce compliance. During 2020, the CBL adopted more robust monitoring and surveillance procedures to ensure that financial institutions adhere to the laws, regulations, and guidelines to counter money laundering and terrorist financing.

The FIU shares its regulations and guidance on STRs and CTRs, as well as information on cross-border transfers of cash, with other agencies, such as the Liberia Revenue Authority, the Liberia National Police, and the Liberia Immigration Services. The FIU is nearing completion of an electronic reporting platform to allow commercial banks to upload STRs and CTRs.

Money laundering investigations are hampered by limited capacity, political interference, corruption, lack of financial transparency, inadequate record-keeping, and weak judicial institutions.

Macau

OVERVIEW

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which 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 similar to those of domestic institutions and to oversight by the Monetary Authority of Macau. Law No. 15/2018, which entered into force in December 2018, stipulates that from January 2021 the offshore regime will be permanently terminated.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

With gaming revenues of \$33.6 billion for 2019 (an 11 percent drop from 2018), Macau is still the world's largest gaming market by revenue. The gaming sector caters to three main customer types – premium players, junket players, and mass gaming players – and relies heavily on junket operators, i.e., middlemen who extend credit to gamblers and are responsible for collecting debts and for the supply of wealthy gamblers, who are mostly from mainland China. In addition to attracting those seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos unable to collect gaming debts in mainland China, where gaming is illegal. Asian organized crime groups also are active in the gaming services and involved in illegal activities such as drug trafficking. This mingling of licit and illicit activities, together with the anonymity gained through using a junket operator in the transfer and commingling of funds, and the absence of currency and exchange controls present vulnerabilities for money laundering.

In July, the Financial Intelligence Office (GIF), Macau's FIU, released its latest STR report for the first half of 2020. Out of 947 STRs received by GIF, 35.1 percent were from the financial sector and 49 percent were from the gaming sector. This supports government officials' stance that the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud. Macau is likely a transit point and an end destination for such funds.

KEY AML LAWS AND REGULATIONS

Macau authorities continue their efforts to develop an AML framework that meets international standards. Macau has an interagency AML/CFT working group, which coordinates responses to identified risks. Macau's primary AML/CFT legislation dates to 2006. The laws impose AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. The laws postulate STR requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Later amendments widen the scope of identifiable criminal offenses to include smuggling and drug trafficking and strengthen CDD measures to identify and verify the identity of beneficial owners.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), requires gaming and junket operators to carry out CDD and, when relevant, EDD, and to keep records of large and/or suspicious transactions. Gaming supervisors have a good understanding of the risks posed by junket operators and have taken a more stringent approach toward licensing and the supervision of junket promoters, which are subject to enforceable AML requirements. The number of licensed junket promoters continues to decrease, 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.

Macau is a member of the APG, a FATF-style regional body. Its most recent MER is available

at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=fded343f-c299-4409-9cfc-0a97d89b6485>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Gaming entities are subject to threshold reporting for transactions over approximately \$62,700 (500,000 pataca) under the supplementary guidelines of the DICJ. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage junket operators to strengthen their AML controls and develop their compliance programs. Macau should strengthen its ability to support international AML investigations and recovery of assets by conducting stricter CDD compliance, including background checks on junket operators, and assessing the effectiveness of internal AML controls implemented by junket operators. Issues to consider include whether junket operators have an established code of conduct, a stated ethical standard, and a procedure in place to protect whistleblowers. There are signs that 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 one to five percent.

In 2019, STRs received from the gaming sector accounted for 65 percent of the 2,941 reports filed. A total of 48 reports involving possible money laundering offenses were sent to the Public Prosecutions Office, and charges were put forward in 10 cases.

The 1988 UN Drug Convention was extended to Macau in 1999, the UNCAC in 2003, and UNTOC 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.

Malaysia has largely up-to-date AML 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 a \$3.9 billion settlement in July related to the 1Malaysia Development Berhad (1MDB) scandal. A key area for development is the prosecution of foreign-sourced crimes.

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.

Money laundering methods used for terrorist financing include cash couriers, funds skimmed from charities, gold and gem smuggling, and front companies and businesses. Illicit proceeds are also generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, smuggling, and extortion.

Malaysia has an offshore financial sector on the island of Labuan, which is subject to the same AML laws as the onshore financial sector. The Labuan International Business and Financial Center (IBFC) has existed for 30 years and is home to over 6,000 companies operating in insurance, banking, fintech, trade, and related sectors. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. As of 2018 there were 55 operating banks holding \$55 billion in assets. The Labuan Financial Services Authority, established in 1996 under the *Labuan Financial Services Authority Act*, administers the Labuan IBFC. Offshore companies must be established through a trust company.

Malaysia maintains 21 free commercial zones and 17 free industrial zones and launched a digital FTZ with China in 2017.

The cash and informal economies and unauthorized MSBs continue to pose significant vulnerabilities. Bank Negara Malaysia (BNM), Malaysia's central bank and competent authority, continues to take enforcement actions against unauthorized MSBs.

The ministry of finance licenses and regulates the activity of casinos. BNM periodically assesses Malaysia's sole licensed casino for AML compliance.

Malaysia's NRA includes the Islamic financial sector, which is prominent in Malaysia and subject to the same AML legal and regulatory regime as the conventional financial sector.

KEY 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 CDD and STR regulations.

BNM issued its *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* in December 2019, which took effect on January 1, 2020. The policy document supersedes previous guidance last issued in 2013. In September 2020, BNM published further guidelines on the *Verification of Customer Identity for CDD and Beneficial Ownership* as a supplement to the policy document.

Malaysia is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Malaysia-2015.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Malaysia has a high degree of technical compliance with international AML standards, but deficiencies remain. Malaysia should continue its efforts to target 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 authorities. The establishment of the National Anti-Financial Crime Centre in 2019 should help address this issue.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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 July 2020, Malaysia's former prime minister was found guilty on three counts of money laundering in connection to the 1MDB scandal and sentenced to 12 years in jail. In 2019, Malaysia prosecuted 70 cases under AMLA. This includes drug-related cases as well as fraud, corruption, and other crimes.

Mexico

OVERVIEW

Illicit actors launder billions of dollars of drug trafficking proceeds through the Mexican financial system annually. Corruption, bulk cash smuggling, extortion, fuel theft, fraud, human smuggling, and trafficking in persons and firearms serve as sources of additional funds laundered through Mexico. Mexican authorities have had some success investigating and blocking accounts of suspected money launderers but have shown limited progress in successfully prosecuting money laundering and other financial crimes. Two supreme court rulings in 2017 continue to complicate Mexico's ability to counter illicit financial activities.

Money laundering offenses continue as the government struggles to prosecute financial crimes and seize and forfeit assets. To increase the number of financial crime convictions, the government needs to combat corruption and improve investigative and prosecutorial capacity. New legislation passed in 2019 expands predicate offenses and makes asset forfeiture proceedings independent from any related criminal proceeding, but legal challenges to the law have hindered the Federal Prosecutor General's (FGR) office's ability to obtain a conviction under the legislation.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illicit drug proceeds leaving the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations launder funds using a variety of methods. TBML involves the use of dollar-denominated illicit proceeds to purchase retail items or services for export to and re-sale in Mexico or the United States. In some cases, the TBML activity includes falsifying invoices and misrepresenting the value of goods or services. President Lopez Obrador issued an executive order in 2019 strengthening penalties for issuing these types of fraudulent tax invoices, often associated with TBML.

Illicit actors in Mexico invest in traditional financial assets as well as real assets, such as property and businesses. Money laundering through the luxury real estate sector remains a concern, especially as a vehicle for laundering the proceeds of public corruption. Two popular laundering methods include structuring cash deposits and using funnel accounts. Chinese money laundering organizations continue to conduct “mirror transactions” more efficiently and at a lower cost than traditional Mexican launderers, creating a great reliance on these entities over the Mexican launderers. Narcotics proceeds are also laundered through unlicensed exchange houses. Mexico’s main banking regulator, the National Banking and Securities Commission (CNBV), has a special unit to investigate unlicensed exchange houses.

Mexican authorities have increasingly been monitoring the potential for criminal exploitation of financial technology, including virtual currencies.

KEY AML LAWS AND REGULATIONS

Mexican AML law criminalizes money laundering at the state and federal level. In addition, CDD rules cover most financial sector entities, including financial technology institutions (FTIs). The CNBV regulates FTIs involved in electronic payments, exchanges of virtual assets, and cryptocurrencies. Critics argue the FTI law’s secondary regulations allow for additional money laundering vulnerabilities because they go too far in liberalizing financial markets for FTIs.

Mexico is a member of both the FATF and the GAFILAT, a FATF-style regional body. Mexico’s most recent MER is available at: www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In 2017, the supreme court ruled the Financial Intelligence Unit’s (UIF) freezing of accounts violates constitutional protections and due process rights. UIF can still freeze accounts when presented with an international request for legal assistance. Another 2017 decision curbed FGR’s ability to present financial records during court proceedings, allowing as admissible only records obtained by court order. In response to the rulings, several individuals and entities filed court cases to have their accounts unfrozen and cases dismissed. Prosecutors and law enforcement authorities have struggled to investigate and prosecute financial crimes, and these rulings may result in additional case dismissals. The Mexican congress is currently debating a

legislative proposal to allow the UIF to add individuals to the blocked persons' list and block their assets if it deems there are sufficient indicators of money laundering.

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 government has not yet provided the number of convictions for 2019. The money laundering unit of the organized crime division of FGR informally reported it obtained 10 money laundering convictions in 2019, compared to 6 convictions in 2018, according to open reporting. The file tracking system of Mexico's Federal Judiciary recorded six cases that resulted in guilty pleas and five that went to trial in 2019. The data does not indicate whether the trials resulted in convictions. The relative lack of convictions in money laundering cases is representative of Mexico's limited capacity to prosecute crimes generally.

In August 2019, the president signed into law non-conviction-based asset forfeiture legislation to enable prosecutors and law enforcement agencies to more aggressively seize illicit assets, including instrumentalities of crimes. The new law also adds corruption and money laundering as predicate offenses. Subsequently, FGR created a new specialized asset forfeiture unit to pursue all federal forfeiture actions. In August 2020, the FGR filed its first three federal asset forfeiture complaints. The complaints were filed before Mexico's lone federal asset forfeiture judge (there are pending plans to add more forfeiture judges) and have yet to be scheduled for an initial hearing. There are additional asset forfeiture judges at the state level who are considering cases throughout the country, but no forfeiture matter has yet been resolved under the new law.

Morocco

OVERVIEW

Morocco is making progress in strengthening its AML regime through 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. Morocco serves as an integration point into the legitimate economy for illicit drug money, with an estimated hundreds of millions of dollars laundered through Morocco annually.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Morocco's informal, cash-based economy is estimated to equal 20-30 percent of GDP. Only 61 percent of Moroccans have a bank account, according to the Moroccan central bank (BAM), and even among holders of bank accounts, cash is often preferred. A mobile banking initiative was launched in 2018 to facilitate access to banking services and to encourage electronic (and more easily traceable) payments, but adoption has been slow, with fewer than 900,000 "m-wallets" opened through 2019. Improvements to interoperability were made in 2020 to increase adoption by merchants.

Morocco's geographic location as a gateway between Europe and Africa makes it a conduit for smuggling, drug trafficking, human trafficking, and clandestine migration. A law to combat trafficking in persons deters human trafficking and money laundering by broadly defining trafficking to include anyone who gives or receives payments or benefits related to trafficking and imposing heavy sentences on offenders.

The export of Moroccan-grown cannabis (especially hashish) and, increasingly, the trafficking of cocaine from Latin America to Europe via Morocco, generate significant illicit profits. Real estate, jewelry, and vehicle purchases are used to launder drug proceeds.

Money transfer services present a vulnerability due to their volume. Annual remittance transfers rose to \$6.7 billion in 2019, accounting for 5.6 percent of GDP. The majority of transfers originate in Europe. The Financial Intelligence Processing Unit (UTRF), the Moroccan FIU, requires transfer operators to collect identification information on both senders and recipients. Unregulated hawalas and bulk cash smugglers are also used to move illicit funds internationally.

Morocco's seven FTZs are regulated by an interagency commission. The FTZs allow customs exemptions for goods manufactured in the zones for export abroad. Six offshore banks operate in the Tangier FTZ, and all are affiliates of local banks and operate with consolidated controls. UTRF 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 UTRF, but generally file no STRs.

KEY AML LAWS AND REGULATIONS

Morocco has key AML laws and regulations in place, including CDD programs and STR procedures, and in 2019 brought its PEP requirements in line with international standards. High-risk customers/transactions are scrutinized under Morocco's AML law and *Central Bank Circular No. 2/G/2012*.

In 2019, Morocco adopted a national risk assessment and institutionalized a national committee to coordinate the country's AML strategy.

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

Morocco is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/anti-money-laundering-and-counter-terrorist-financing>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have noted a number of areas for improvement in Morocco's AML/CFT regime, including the need for greater national coordination; the lack of a declaration system for cross-border currency transportation reporting; and legal, regulatory, and policy issues impeding the effective implementation of supervisory and criminal enforcement actions. Morocco has been seeking to address these concerns through a variety of reforms. Related legislation remains stalled in Parliament.

Money laundering is classified as a misdemeanor in Morocco.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Morocco continues to work closely with international partners. The government has implemented applicable multilateral agreements and voluntarily initiated exchanges with private sector partners to address key vulnerabilities.

Morocco has increased the number of law enforcement assets dedicated to money laundering investigations, resulting in an increase in criminal cases involving money laundering from 30 in 2019 to 193 in 2020. There were only eight convictions for money laundering in the 10 years leading up to 2018, while 62 convictions have been achieved in 2019 and 2020, combined. These cases involve relatively simple money laundering, integrating drug proceeds into buildings and businesses, and do not include more complex cases involving professional money launderers or organized crime; officials claim complex money laundering and organized crime do not exist in Morocco.

Mozambique

OVERVIEW

Money laundering in Mozambique is driven by misappropriation of state funds, kidnappings, human trafficking, narcotics trafficking, wildlife trafficking, and terrorism. 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 2020, the Government of Mozambique took steps to address money laundering through the adoption of a new asset recovery bill as well as a unique account number for an individual to use in banks nationwide. However, public prosecutors, judges, and police lack the technical capacity and resources to successfully combat money laundering. Mozambique would also benefit from better collaboration among AML/CFT enforcement institutions.

From 2013-2014, a group of senior Mozambican officials, including the former finance minister, secretly negotiated over \$2 billion in loans, much of which went to illegal bribes and other illicit

payments to the government officials, bankers, and businesspeople involved in the scheme. While 19 individuals face charges in Mozambique, including the son of a former president and the former director of Mozambique's intelligence service, for their alleged roles in the hidden debt scandal, neither the Attorney General (PGR) nor Administrative Court have proceeded with trials.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

South Asian, East Asian, and Latin American criminal syndicates play a prominent role in illicit activities such as poaching, illegal logging, and trafficking narcotics, gemstones, and animal products. Authorities believe proceeds from these activities may be financing violent extremists in northern Mozambique. Law enforcement sources estimate at least 80 percent of all heroin entering Europe or the United States via Africa passes through Mozambique.

Money laundering is conducted primarily through foreign currency exchange houses, cash smugglers, and hawala brokers. The real estate sector, because of the lack of a regulatory body, is also susceptible to money laundering. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal sector in most parts of the country. Given the lax control over mobile and electronic payments, mobile systems are increasingly used to facilitate illicit networks, including terrorists operating in northern Mozambique.

There are three FTZs in Mozambique, but there is no evidence they are tied to money laundering.

KEY AML LAWS AND REGULATIONS

Law 14/2013 and decree regulation 66/2014 provide tools to combat money laundering and terrorism financing in Mozambique. The law allows the government to freeze terrorist assets and enter into MLATs for terrorism finance cases. The law also criminalizes terrorist financing, specifies evidence collection procedures, and allows for the seizure of documents. Mozambique has KYC provisions, and STRs are analyzed and flagged by the financial intelligence unit (GIFIM—Portuguese acronym) and distributed to relevant investigative bodies. Regulations also require EDD for PEPs. The Bank of Mozambique places AML obligations on local banks.

In November 2020, the government adopted a new asset recovery law that will improve coordination among government agencies and enhance the country's ability to prosecute corruption and recover stolen assets. In December 2020, the PGR created a new asset recovery office in line with the new legislation.

In September 2020, the Bank of Mozambique announced plans for a unique bank identification number (UBIN) to combat money laundering and terrorist financing by making it easier for the government to track accounts across multiple financial institutions. Technical discussions between the Bank of Mozambique and commercial banks on implementation are now underway and the government expects the UBIN system to be operational by early 2021.

Mozambique is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: https://www.esaamlg.org/index.php/Countries/readmore_members/Mozambique.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Mozambique has made steady progress establishing a legal framework that supports money laundering investigations, but implementing agencies need more robust human, financial, and technical resources to effectively investigate and prosecute money laundering and financial crimes.

The GIFIM has expressed interest in joining the Egmont Group and is awaiting Council of Ministers' approval to apply for membership.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Mozambique has made progress in enforcing AML laws and implementing regulations. According to the most recent available data, in 2019, the PGR received 48 reports of suspicious transactions which led to 32 criminal cases. The PGR has noted the need for better technology and specialized human resources to analyze data and accounting information, which often requires collaboration among multiple agencies and international jurisdictions.

The United States and Mozambique are establishing records-exchange procedures. The U.S. DEA opened an office in Mozambique in 2017 and continues to deepen information sharing on money laundering and narcotics cases with Mozambican law enforcement partners.

Mozambique is a member of the Asset Recovery Inter-Agency Network for Southern Africa, which supports information sharing to identify, track, and seize criminal assets.

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 fall under the jurisdiction of the Kingdom of the Netherlands: Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands; and Aruba, Curacao, and St. Maarten are semi-autonomous countries within the kingdom. 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 MOU between the four Kingdom countries and the United States for joint training activities and sharing of information remains active.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Financial fraud, especially tax evasion and drug trafficking, are believed to generate a considerable portion of domestic money laundering activity. There are indications of syndicate-

type structures involved in organized crime and money laundering. Law enforcement regularly launches money laundering investigations. Few border controls exist within the Schengen Area of the 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.

KEY AML LAWS AND REGULATIONS

The Dutch Financial Intelligence Unit (FIU-NL) is an independent, autonomous entity under the Netherlands Police. The Anti-Money Laundering Center facilitates knowledge-sharing and coordination among government agencies and the private sector. Seizing and confiscating criminal proceeds is a high priority for Dutch law enforcement.

On June 30, 2019, the government presented a national action plan against money laundering. The *Implementation Act for the Fourth AML Directive* took effect on May 21, 2020, extending the directive's requirements to crypto-service providers. In September 2020, two additional AML/CFT laws came into force. The first, the *Bank Data Retrieval Portal Act*, allows for direct digital access to certain bank data by investigation services. The second law requires all corporate and other legal entities to list their ultimate beneficial owners in a transparent register, operated by the Chamber of Commerce.

In July 2020, in the wake of several investigations by Dutch authorities, ABN Amro, ING, Rabobank, Triodos, and Volksbank set up the Transaction Monitoring Netherlands (TMNL) initiative to analyze anonymous datasets from the banks to improve their reporting to the FIU-NL on possible money laundering activity. In recent years, banks have been assessed multi-million dollar fines and, in 2018, a U.S. subsidiary of Rabobank entered into a settlement agreement with the U.S. DOJ under which it pled guilty to *Bank Secrecy Act* and money laundering violations. In August 2020, press reports indicate the Public Prosecutor investigation into ABN Amro, the third largest bank in the Netherlands (partially owned by the Dutch government) was ongoing. Press reports also advise German authorities are investigating ABN Amro involvement in tax evasion in Germany.

The government allocated an additional approximately \$177.7 million (150 million euros) a year starting in 2022 to fighting organized subversive crime. In April 2020, the Netherlands launched the Multidisciplinary Intervention Team (MIT), consisting of the police, Public Prosecution Service, Fiscal Information and Investigation Service (FIOD), customs, tax authorities, military police, and defense. MIT will be a data-driven team of 400 intelligence and digital specialists focused on international and financial supervision working to disrupt criminal networks and their business processes.

Dutch law has comprehensive KYC and STR regulations, which apply to many actors in the financial sector. Every three years, the government commissions an external assessment of its AML policy.

Law enforcement cooperation between the Netherlands and the United States is good; the

existing MLAT allows for the exchange of records in connection with narcotics investigations. However, legal procedures for release of evidence to the United States are cumbersome, and resulting delays pose a threat to the success of U.S. investigations.

The Netherlands is a member of the FATF and is preparing for its next review in 2022. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Netherlands continues to make progress in addressing identified deficiencies. No significant technical deficiencies in the regulatory regime have been identified. The magnitude of money laundering, however, remains a concern.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) on transactions that could relate to money laundering. The FIU-NL analyzes UTRs to determine whether they are “suspicious” and forwards them to law enforcement for criminal investigation, at which point they become classified as STRs. In 2018, the financial institutions submitted around 60,000 UTRs to the FIU, and the FIU declared around 15,000 as suspicious. Shifting priorities for law enforcement have hindered a sustained effort to improve financial investigations. Different CTR reporting thresholds apply to various specific transactions, products, and sectors.

Finance Minister Wopke Hoekstra told Parliament on September 22, 2020, that the Netherlands has an enormous problem regarding money laundering, following the report that Russian billionaire Roman Abramovich made around \$1.3 billion in questionable payments via Netherlands-based ING Bank and a Polish ING subsidiary.

Nicaragua

OVERVIEW

Nicaragua is not a regional financial center but remains vulnerable to money laundering due to corruption, lack of transparency, drug trafficking, and a large informal sector. The ongoing socio-political crisis has diverted security forces’ attention from effectively combating illicit activities toward repressive actions against opposition groups, undermining law enforcement performance on AML/CFT. Regulatory bodies also use their official powers to monitor activities of pro-democracy opposition groups and to conceal illicit government transfers.

The politicization of AML/CFT institutions is a significant concern. In May 2020, OFAC designated Ivan Acosta, Minister of Finance and Public Credit, for supporting the regime’s human rights violations and corruption. Acosta is the head of the National Committee on AML/CFT, and his designation is indicative of the AML/CFT committee’s ineffectiveness

investigating public officials with ties to organized crime. Also in 2020, OFAC designated Caja Rural National Savings and Credit Cooperative—which reportedly controls an estimated \$2.5 billion on behalf of another sanctioned entity—and key government officials for sanctions pursuant to E.O. 13851. The OFAC designations follow sanctions against companies controlled by President Ortega’s family. These actions present increased risk of illicit funds leaking into the financial system as the first family seeks to move their wealth into assets that can transit borders.

On October 4, 2018, FinCEN issued an advisory warning U.S. financial institutions of the increasing risk that proceeds of Nicaraguan political corruption may enter or pass through the U.S. financial system.

Concerns persist about the use of AML/CFT laws by the Sandinista National Liberation Front, the government’s ruling political party, primarily as harassment tools against domestic political opposition groups.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Despite a slowdown in economic activities due to COVID-19, Nicaragua remains a transit country for narcotics and vulnerable to money laundering. TBML in thriving industries, such as gold and beef, constitutes a vulnerability, especially for small-scale operations that rely heavily on cash transactions.

Public corruption persists as a common money laundering typology in sectors such as construction and the procurement of goods and services.

In 2020, there were 188 companies operating under FTZ status in Nicaragua. There does not appear to be a meaningful nexus between Nicaraguan FTZ companies and AML/CFT issues. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for visa-free movement of citizens of these countries across their respective borders.

KEY AML LAWS AND REGULATIONS

AML/CFT laws mandate disclosure of beneficial owners. Financial institutions and DNFBPs follow CDD and SAR requirements. EDD for PEPs and transactions conducted with high-risk countries are included in the law.

The Ministry of Foreign Affairs (MINREX) reported the Financial Analysis Unit (UAF), Nicaragua’s FIU, is developing an NRA on money laundering, terrorist financing, and proliferation financing. The NRA is intended to update the national AML/CFT/counter-proliferation financing (CPF) strategy and action plan. In January 2020, the UAF issued guidelines to help reporting subjects comply with SAR requirements.

The regime-controlled national assembly amended the *Public Registries Law* to include the disclosure of beneficial ownership of legal persons and fees related to noncompliance.

The Supreme Court of Justice issued a guideline for lawyers and public notaries on AML/CFT/CPF. Regulators of banks, accountants, and NPOs issued similar regulations.

Nicaragua is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/content/images/GAFILAT-MER-Nicaragua-2017.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Although money seizures continue to grow, the government's unit that manages seized funds is controlled by Ortega loyalists. The lack of transparency raises concerns about the final destination of seized funds, which can be directed to support repressive activities against political opposition, with facilitation by the Ortega government. According to MINREX the government seized \$16 million in currency through October 13, 2020, the highest amount in eight years.

Many in the legal profession rejected the incorporation of lawyers and public notaries as reporting subjects under Law 976 as amended in 2019 and say the requirement breaches client-lawyer confidentiality. Limited buy-in from stakeholders hinders the effectiveness of AML/CFT laws.

The lack of governmental impartiality to AML/CFT and regulations is a persistent weakness. In June 2020, an NGO working on COVID-19 prevention was stripped of legal status and accused of terrorist financing. Meanwhile, there have been no investigations of individuals and enterprises sanctioned by OFAC for corruption and money laundering.

Nicaragua's 2014 application for Egmont Group membership remains pending.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Financial sector authorities noted filing a SAR on an OFAC-designated person or other government-aligned individual for potential affiliations with organized crime often generates swift government reactions against the reporting institution, including threats of fines and administrative penalties. SARs related to enterprises with ties to the Sandinista party are consistently ignored by the regime-controlled UAF.

MINREX reported authorities conducted 39 investigations and 20 prosecutions of money laundering-related cases that implicated 27 persons, obtained 10 convictions, and seized \$16 million through October 13, 2020.

The greatest impediment to the implementation and enforcement of Nicaragua's AML/CFT measures is the politicization of its public institutions. The government consistently fails to enforce laws against corrupt public officials while its representatives invest considerable time and resources to monitor and fabricate evidence against pro-democracy opposition groups. This approach takes a toll on AML/CFT efforts, placing Nicaragua at greater risk of organized crime activities.

Nigeria

OVERVIEW

Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. The Nigeria Financial Intelligence Unit (NFIU) is the national AML/CFT coordinator. The NFIU's mandate is to establish the legal, regulatory, and institutional frameworks to proactively and reactively mitigate inherent and imminent risks of money laundering, terrorist financing, and other related financial crimes in the financial and non-financial sectors. Nigeria, despite having dedicated agencies to fight corruption and belonging to numerous regional and international bodies, continues to record daily money laundering occurrences. Notwithstanding Nigerian efforts, there are minimal increases in arrests and prosecutions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Criminal proceeds laundered in Nigeria derive from corruption, foreign drug trafficking, various types of fraud, and other illegal activities. In Nigeria, money laundering occurs through the misuse of legal persons and companies, real estate investment, wire transfers to offshore entities, deposits into foreign banks, round tripping (reciprocal sales of identical assets), jewelry, bulk cash smuggling, and reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds.

Nigeria's informal economy is responsible for a significant portion of the country's economic transactions and is largely cash-based. There are multiple channels to move illicit funds, which include proceeds from the corruption of PEPs, law enforcement officers, and public servants. Public servants are vulnerable to corruption because of poor social welfare programs and low wages.

Weak oversight and sanctioning protocols embolden cartels to move large amounts of cash within the country and through Nigerian airports. The Central Bank of Nigeria (CBN) issued directives to mitigate cash movements; however, money laundering operators are able to evade law enforcement agencies due to corruption and other systemic weaknesses.

With the introduction and widespread adoption of virtual currency, Nigeria will need to adopt strict rules to ensure this form of currency does not become popular with money laundering organizations inside of Nigeria. The Securities and Exchange Commission, Nigeria has issued a statement indicating cryptocurrencies will be treated as securities, unless the issuer or sponsor of the assets proves otherwise.

KEY AML LAWS AND REGULATIONS

Nigeria has a plethora of laws and regulations for AML, including the *Nigeria Data Protection Regulation 2019*, which addresses data security and privacy, and the *Companies and Allied Matters Act 2020*, which is now the primary legislation governing the formation and

management of companies in Nigeria. Nigerian law mandates KYC and STR procedures and EDD for both foreign and domestic PEPs. Legal persons are covered criminally and civilly.

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 in force between Nigeria and the United States.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Certain AML laws have deficiencies, which can be used as a shield to protect certain categories of people from prosecution. Legal practitioners are excluded from the definition of DNFBP. Legal practitioners have sought and been granted court injunctions restraining the CBN from implementing its circular regarding lawyers. Lawyers file injunctions restraining federal government agencies such as the Special Control Unit against Money Laundering (SCUML), the NFIU, and the Economic and Financial Crimes Commission (EFCC) from seeking to enforce the provisions of Section 5 of the Money Laundering Act in relation to legal practitioners.

The NFIU issued an advisory to stop withdrawal of cash from local government accounts, which was expected to promote accountability and transparency. However, this advisory was considered an intrusion by the governors of the states who have direct access to these funds. Due to lack of implementation and enforcement of laws, determining the channels used to move large sums of cash in Nigeria remains difficult.

Despite the laws in place, investigations are still impeded. Investigative agencies concentrate efforts on cases involving large amounts of money and high-profile cases, which are delayed due to slow judiciary processes. After the NFIU provides reports to investigative agencies, these agencies are responsible for the pursuit of these cases in a timely manner.

Further deficiencies within government agencies include inadequate human technical capacity and financial resources to monitor and supervise large numbers of DNFBPs. Compliance officers are exposed to bribes and threats of job loss because there is no protection for individuals who report money laundering/terrorist financing activities of a superior.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Despite the NIFU's noteworthy efforts to fight corruption, it does not have an enforcement branch to prosecute said cases. In addition to poor coordination and inadequate funding, Nigerian agencies that enforce AML/CFT measures lack power to administer sanctions. The SCUML is currently domiciled in the EFCC.

Pakistan

OVERVIEW

Pakistan's geographic location and porous borders with Afghanistan, Iran, and China make it vulnerable to narcotics and contraband smuggling. Pakistan's 2019 NRA identifies the largest risks associated with illicit finance as corruption and bribery, smuggling, tax fraud, illegal financial transfers, bulk cash smuggling, organized crime, kidnapping for ransom, extortion schemes, and trafficking narcotics, humans, and arms. Several DNFBP sectors are involved in money laundering using the formal financial system. The NRA also found many of the illicit proceeds are transferred overseas. Pakistan's black market economy, the informal financial system, and a permissive security environment generate substantial demand for money laundering and illicit financial services in Pakistan.

Pakistan continues to work on its 2018 action plan to address AML/CFT deficiencies identified by international experts. Over the last year, Pakistan passed 15 new laws to address terrorist financing gaps in its AML/CFT regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering occurs in both the formal and informal financial systems.

In fiscal year 2020 (July 2019-June 2020), the diaspora remitted over \$23 billion to Pakistan via official channels, up 6.4 percent from the previous year. The State Bank of Pakistan (SBP), the central bank, attributes some of the increase to a SBP initiative to facilitate formal channel transfers. COVID-19-related travel restrictions also likely stimulated the use of formal banking channels.

Other common methods for laundering funds include TBML, MSBs, and bulk cash smuggling. Legitimate traders often use fraudulent invoicing for tax avoidance reasons, but criminals also use cross-border trade as a vehicle for money laundering.

Operation of an unlicensed MSB is illegal but, despite government efforts to curtail their activity, the public's use of these entities remains prevalent due to poor governmental oversight and limited penalties. Many MSB transactions are for legitimate purposes due to a lack of access to the formal banking sector (more than 85 percent of Pakistanis do not hold bank accounts). Significant informal financial activity occurs along the largely unregulated Pakistan-Afghanistan border, and to a lesser extent, Pakistan's borders with China and Iran. Border areas see illicit financial activity by terrorist and insurgent groups.

KEY AML LAWS AND REGULATIONS

Key AML legislation includes the *Anti-Money Laundering Act of 2010* (AMLA), which among other things, establishes Pakistan's FIU, and the *Control of Narcotic Substances Act of 1997*. Pakistan has comprehensive CDD and STR regulations. Policy reforms have shown an initial uptick in STR volume and improvements in report processing. The disclosure of beneficial

owners and EDD for PEPs are required.

Pakistan undertook a major push to enact and amend legislation to address deficiencies in its AML/CFT regime. Among the 13 relevant new laws adopted in 2020 are: the *Foreign Exchange Regulation (Amendment)*; the *Anti-Money Laundering Act (1st and 2nd Amendments)*; the *National Counterterrorism Authority/NACTA (Amendment)*; the *Anti-Terrorism (1st and 2nd Amendments)*; the *UN Security Council (Amendment)*; *Mutual Legal Assistance (Criminal Matters)*; *Companies Amendment Bill*; *Limited Liability Partnership Amendment Bill*; and the *Modaraba Companies (Floatation and Control) (Amendment) Bill*.

The United States and Pakistan do not have an MLAT; however, both countries are parties to multilateral conventions that include mutual legal assistance provisions. Extradition between the United States and Pakistan is governed by the 1931 U.S.-UK Extradition Treaty. 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 adopted an amendment to its *Mutual Legal Assistance (Criminal Matters) Law* in 2020 to establish a central authority within the Ministry of Interior to handle requests for mutual legal assistance.

Pakistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: [file:///C:/Users/user/Downloads/Pakistan%20MER%202019%20-%20published%20version%20\(2\).pdf](file:///C:/Users/user/Downloads/Pakistan%20MER%202019%20-%20published%20version%20(2).pdf).

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Certain categories of DNFBPs, whose transactions are largely cash-based and poorly documented, tend to be involved in money laundering using the formal financial system. These include lawyers, notaries, accountants, real estate brokers, and jewelry/precious metal traders. Pakistan's Securities and Exchange Commission, Federal Board of Revenue, and Ministry of Finance have limited regulatory authority over at-risk sectors such as the Pakistan Post, Central Directorate of National Savings, and the accounting profession. The real estate profession and the precious stones/metals and jewelry sectors remain unregulated. The ability of the government and Pakistani Bar Association to police lawyers, legal advisors, and law firms is also limited. Pakistan has recently clarified and strengthened its regulatory authorities for supervision of these sectors, but it is too soon to evaluate the effectiveness of these new laws and procedures.

The government's writ in border areas is limited due to remoteness, lack of infrastructure, low population densities, and the fact many in poorer regions depend on the informal sector for their livelihoods, fostering an environment with little rule of law.

The Financial Monitoring Unit, Pakistan's FIU, is not a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2020, the government significantly increased monetary penalties and prison sentences for violating the AMLA.

Approximately 51 cases involving the misuse of non-profit organizations, 15 cash smuggling cases, eight cases of extortion, 11 cases of illegally operating an MSB, 10 smuggling cases, 11 narcotics trafficking cases, and one case of kidnapping for ransom were opened in 2020. The Pakistani government reports 101 convictions in 2020 for terrorism finance violations, which include money laundering offenses reported in 2020.

Panama

OVERVIEW

Panama's strategic location, dollarized economy, status as a regional financial, trade, and logistics hub, and favorable tax laws render it attractive for exploitation by money launderers. High-profile money laundering investigations, including the Waked Money Laundering Organization, the "Panama Papers" scandal, former President Ricardo Martinelli's arrest, extradition, and subsequent acquittal, and scandals involving Brazilian construction giant Odebrecht (that resulted in a U.S. indictment against Martinelli's two sons) have intensified scrutiny of Panama's AML vulnerabilities.

The Government of Panama has made some moves to address its agreed-upon action plan. In March 2019, the government passed the *Ultimate Beneficial Ownership Law* (UBOL) to create a registry of actual beneficiaries of legal entities. However, in late 2020, the platform is still in the development phase and has been delayed because of COVID-19. In January 2020, Panama converted its Intendency of Non-Financial Sectors (SSNF) to a higher-level superintendency. In August 2020, the government moved responsibility for compliance with international AML standards from the Ministry of the Presidency to the Ministry of Economics and Finance and appointed a new lead administrator.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundered in Panama primarily comes from illegal activities committed abroad, including drug trafficking, tax crimes, and smuggling of people and goods. Panama is a drug transshipment country due to its location along major trafficking routes. Numerous factors hinder Panama's fight against money laundering, including lack of capacity to identify bulk cash shipments, inexperience with money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, corruption, and an under-resourced judicial system whose budget will actually shrink in 2021.

Criminals launder money via bulk cash smuggling and trade at airports and seaports, through shell companies, casinos, cryptocurrencies, and the 12 active FTZs. This creates the risk that legal entities, such as corporations, private foundations, and trusts, created and registered in Panama can be misused to launder funds, especially from foreign predicate crimes. Implementation of the UBOL would help mitigate this risk. Law firms and registered agents are key gatekeepers and will be subject to the new requirements; however, the use of nominee shareholders and directors is still prevalent.

KEY AML LAWS AND REGULATIONS

Panama has improved its compliance with international standards for AML prevention, enforcement, and cooperation. Panama has comprehensive CDD and STR requirements. *Law 23* criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. A proposed amendment would establish more proportional and dissuasive sanctions on financial institutions. The SSNF oversees the AML compliance of over 12,000 DNFBPs across 11 sectors, including the Colon Free Zone (CFZ), the second largest FTZ in the world.

The United States and Panama have a bilateral MLAT.

Panama is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MER-GAFILAT-Panama-Jan-2018.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Tax evasion is a criminal and predicate money laundering offense as described in article 254-A of the penal code. However, Panama continues to lack sufficient resources, including trained staff, to effectively monitor whether entities, particularly DNFBPs, comply with reporting requirements. The government needs to enhance training, disseminate guidelines, and organize feedback sessions with reporting entities to improve the quality of STR/CTR reporting, particularly among high-risk sectors.

The FIU needs to demonstrate STRs/CTRs are used to identify leads for illicit finance investigations and its reports are shared more frequently with law enforcement authorities, who in turn need to show the reports are used to investigate and prosecute money laundering crimes. Panama's FIU reports to the presidency, leaving it vulnerable to political influence and dependent on the presidency for support; elevating the FIU to independent agency status would further insulate it from outside influence.

The CFZ remains vulnerable to illicit financial and trade activities, due to weak customs enforcement and limited oversight of transactions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Panama adopted a U.S.-style accusatory penal system in 2016. Law enforcement and judicial entities are underfunded and still lack experience and effectiveness under the new system, and a lack of coordination between these entities has resulted in few successful investigations, prosecutions, and convictions. Panama needs to provide more robust financial investigative training to law enforcement, prosecutors, and judges and prioritize financial investigations beyond cases related to drug trafficking. Panama does not yet accurately track criminal prosecutions and convictions related to money laundering. Law enforcement needs more tools and protection to conduct long-term, complex investigations, including undercover operations. The criminal justice system remains at risk of corruption. The United States and Panama signed a MOU to create the joint Anti-Money Laundering and Anti-Corruption Task Force on July 31,

2020. The taskforce will focus on non-narcotics-related money laundering investigations that identify corruption and other crimes stemming from money laundering, such as tax evasion.

Paraguay

OVERVIEW

Paraguay's economy shows signs of recovery after the COVID-19 pandemic negatively impacted the manufacturing and service sectors and closed Paraguay's borders to international visitors for seven months, resulting in significant negative growth from March to May 2020. The tri-border area, comprised of the shared border areas of Paraguay, Argentina, and Brazil, is home to a multi-billion-dollar illicit goods trade, including marijuana cultivation and the trafficking of Andean cocaine and arms, which facilitates significant money laundering in Paraguay. The government has worked to reduce the criminal use of Paraguay's financial system to launder illicit proceeds by taking steps to address corruption, eliminate bureaucratic inefficiencies, and enhance interagency coordination. President Mario Abdo Benitez's administration continues to focus on these efforts, showing results in terms of arrests and modest progress toward implementation of new legislation; however, convictions remain rare.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering occurs in both financial institutions and the non-financial sectors. Vulnerabilities include a large number of unregistered exchange houses; the frequent use of cash; the use of false information to register businesses; lax regulation of import-export businesses, casinos, and MSBs; weak border controls; corrupt government agents; and insufficient oversight of a high volume of money transfers to Lebanon and China.

Transnational and local criminal organizations continue to take advantage of largely informal economies and lax border controls in Ciudad del Este and other border towns to engage in TBML, narcotics and arms trafficking, goods smuggling and counterfeiting, and document forgery. Criminal organizations disguise the laundering of proceeds from these activities in the high flow of both counterfeit and legitimate goods sold into Brazil from Paraguay, often with the assistance of co-opted government officials.

Paraguay operates two FTZs in Ciudad del Este but does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina, Brazil, Chile, and Uruguay.

KEY AML LAWS AND REGULATIONS

Paraguay has KYC and STR regulations applicable to a wide range of entities, and EDD is required for PEPs.

Paraguay passed two significant AML-related laws in 2020. Both laws improved the National Secretariat for Asset Forfeiture's (SENABICO) ability to manage and earn profit from seized criminal assets. Asset sharing legislation has been in place for some time; Paraguay's

framework includes laws approving the UNTOC and UNCAC and SENABICO Law 5876 (2017), which speaks to international cooperation for the administration of assets and the application of international conventions. Paraguay made progress in implementing some of the ten significant AML-related laws passed in 2019. Specifically, the Supreme Court formalized procedures outlining the scope and functions of newly-created criminal and appeals courts specialized in money laundering.

There is no bilateral MLAT between Paraguay and the United States. Both are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at: <https://www.fatf-gafi.org/countries/n-r/paraguay/documents/mutualevaluationofparaguay.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Paraguay struggles to investigate and prosecute complex money laundering cases within the statute of limitations, in part because of a disjointed AML regime, officials' lack of experience, judicial delays, and lack of interagency cooperation. Though the Central Bank of Paraguay (BCP) has authority to review banks for money laundering compliance independent of Paraguay's FIU, the Anti-Money Laundering Secretariat (SEPRELAD), the sanctioning regime is not effective, as SEPRELAD and the BCP have different guidelines regarding when an entity should submit a STR.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Paraguay continues to take steps to implement international AML standards. During 2020, Paraguay initiated several more high-profile money laundering cases against multiple offenders than it did in 2019. Authorities have conducted search warrants, and in some cases filed preliminary charges and formal indictments. As with past cases, the challenge will be seeing these cases through to completion and conviction. The \$1 billion Megalavado case, opened in 2014, remains under investigation but without indictments or convictions.

SEPRELAD is working with the BCP to improve coordination and the quality of STRs, which are primarily submitted by banks. Despite significant outreach to the banks, only approximately one percent of the STRs received by SEPRELAD meets the threshold to open a criminal investigation. During the first six months of 2020, SEPRELAD received 5,811 STRs, a 43 percent decrease over the same period in 2019. This decline is likely due to decreased economic activity after the government introduced strict COVID-19 mitigation measures in March 2020 that required many businesses to cease activities for three to seven months. As of October 2020, SEPRELAD's Directorate of Financial and Strategic Analysis forwarded 66 financial intelligence reports to various Paraguayan authorities.

In 2020, SENABICO increased its staff to 27, but the government cut its budget by over 15 percent from \$648,000 to \$510,000. Regardless, the amount of assets seized by SENABICO continues to grow, and presently totals over \$165 million. SENABICO has struggled to fulfill its

mission due to non-cooperation from other government entities, such as the Solicitor General and judges who are unfamiliar with SENABICO's mandate and unwilling to relinquish authority to SENABICO.

The Paraguayan government made modest progress toward implementing new laws passed in 2019, but continues to struggle to obtain money laundering convictions.

Paraguayan Customs continues to operate a TTU to combat TBML and other customs crime through the sharing and analysis of international trade data.

Peru

OVERVIEW

Peru had three presidents in 2020. Peru struggles to effectively enforce and implement its strong AML legal regime. Poor interagency coordination, limited information sharing, and corruption within the justice sector impede enforcement efforts. Weak regulatory enforcement and oversight of the small-scale mining and timber sectors are concerns.

The Peruvian government identified \$1 billion in potentially illicit funds flowing through Peru from January to September 2020 – a 43 percent decrease from the same period in 2019. This occurred in a period when Peru enforced one of the strictest COVID-19 lockdowns and experienced one of the sharpest economic contractions in Latin America, severely restricting efforts to combat money laundering. Illegal gold mining made up the vast majority of identified funds at \$927 million, while drug trafficking comprised \$8.2 million. Illegal mining constitutes 48 percent of all money laundered in Peru in the past nine years, by far the largest sector. Drug traffickers launder profits through illegal mining activities and gold transactions.

The government implemented steps to strengthen its AML regime in 2020, including establishing a special prosecutor's office for asset forfeiture and gaining authorization from the OECD to exchange international financial and tax information. Peru also continued implementing its *2018-2021 National Plan to Combat Money Laundering* and showing successful results in its asset forfeiture system.

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 the transit of large quantities of illegal goods, contraband, and cash across its borders and internally. Weak regulatory enforcement allows illegal gold to be mixed with licit gold in the supply chain, as well as illegal timber with licit timber.

Individuals and organizations typically funnel illicit funds through front companies. Illicit funds also move through real estate, currency exchanges, credit cooperatives, auto sales, virtual

currency, and notaries. Use of financial technology and virtual currencies is growing in Peru, with more than 34 new financial technology companies founded since 2016 and \$355 billion in transactions from 2016-2018. A virtual currency investment group stated Peru has the third highest transaction volume for virtual currencies in Latin America. In August 2020, the FIU started supervising virtual currency exchanges. In October 2020, the FIU began a risk analysis of virtual currency and bitcoins, which will inform the drafting of a specific regulation.

Peru's gaming industry reported \$780 million in earnings in 2018 from 314 registered companies with 723 locations. Peru lacks adequate controls on the gaming sector, given the risks for money laundering. Of 15,736 STRs filed in 2018, 33 originated from the gaming industry. Peru conducted a risk analysis of the gaming industry in 2019; the final report is forthcoming.

KEY AML LAWS AND REGULATIONS

Peru has a robust AML regulatory framework, and legislation establishes money laundering as an autonomous crime and includes KYC and STR requirements. Regulations define and require EDD for PEPs. In October 2020, the OECD Global Forum authorized Peru to exchange international tax and financial information on business and residents of Peru after evaluating its data confidentiality and protection.

The U.S. 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.

Peru is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-peru-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Peru should improve its interagency coordination, such as by amending the FIU's authorities outlined in Law 27693. This law permits the FIU to share its reports only with public prosecutors. The government is receptive to recommendations from donors and experts regarding potential improvements.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Pervasive corruption hampers prosecutions of narcotics-related money laundering crimes. Political figures, judges, and legislators have been implicated in money laundering, creating an impediment to progress on reform. The Peruvian government estimates corruption generated \$7.8 million in illicit proceeds from January to September 2020. From January to June 2019, Peru convicted seven individuals for money laundering and financial crimes. At the same time, Peru's new asset forfeiture system issued a record 43 orders against assets worth over \$24 million from January through September 2020 and had 501 cases in process in October 2020.

High turnover of specialized prosecutors, lack of awareness of international conventions, and corruption in the justice sector hinder enforcement efforts. The Attorney General's office improved its capacity to investigate money laundering by establishing a special prosecutor's office on asset forfeiture and hiring 80 accountants for its forensic unit.

Peru continues to lack effective regulatory enforcement and oversight in the small-scale mining sector. In February 2020, authorities seized alleged illegal gold worth \$10 million from a criminal organization accused of exporting to Switzerland, the Netherlands, Germany, Dubai, India, and China, and earning an estimated \$11.5 million per month.

Philippines

OVERVIEW

The COVID-19 pandemic is disrupting global economic activities, prompting new threats and vulnerabilities for the Philippines. Amidst these new challenges, existing criminal networks continue to engage in criminal activity to generate illicit funds, including environmental crimes and trafficking in people, narcotics, and arms.

To mitigate the effects of criminal activities, the Philippine government has continued its effort to build the capacity of its Anti-Money Laundering Council (AMLC) to counter money laundering and terrorism financing. In 2019, international experts noted very serious risks of financial crime, including money laundering and terrorist financing, and low levels of government effectiveness in combating those threats. Despite new momentum to strengthen the overall AML regime, the Philippines falls short in its effectiveness against money laundering, according to the Philippine government's own assessment.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Drug trafficking remains a pervasive challenge to the Philippine government, with increased drug activity observed at seaports and across its porous maritime borders. Fifty-four percent of cases filed by the AMLC from January 1 to September 25, 2020 were predicated on violations of the *Comprehensive Dangerous Drug Act*. Schemes included the delivery of illegal goods through private couriers pretending to carry medical or food items during periods of strict quarantine.

The banking sector, MSBs, and pawnshops remain primary channels for laundering funds. The COVID-19 quarantine period also saw more than 13,000 transactions through suspected pass through or money mule accounts. Reports of bulk cash entering through the airports increased; however, this is legal, if declared. Lockdowns led to an increase in online shopping, which led to more cases of fraud. Fake charity scams on social media also surged as did various "sextortion" and blackmail attacks.

The Philippines Bureau of Internal Revenue reported multiple cases of tax avoidance by online gaming firms catering to offshore bettors, known locally as "Philippine offshore gaming

operators” (POGOs). According to Philippine authorities, a number of POGOs were operating without requisite licenses. The Philippine congress and local media have raised concerns about money laundering and financial crimes facilitated through POGOs, which cater primarily to Chinese citizens gambling illegally. However, no money laundering cases involving POGOs have yet surfaced. There are indications this industry has declined due to new tax initiatives and COVID-19-related quarantine restrictions.

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 AML LAWS AND REGULATIONS

The AMLC now requires the prompt filing of STRs on attempted transactions. The AMLC also expanded its information-sharing guidelines, allowing the sharing of information on PEPs outside election periods. CDD requirements include EDD for PEPs, their families, and associates assessed as high-risk for money laundering.

The government also promulgated the *Enforcement Action Guidelines*, which provide procedures for the early resolution of administrative cases at the level of the Compliance and Supervision Group. This approach will allow the AMLC to conserve resources and enables timely action to correct violations or deficiencies prior to the filing of a formal charge.

The AMLC and the Philippine Strategic Trade Management Office recently drafted counter-proliferation finance legislation in consultation with international legal experts.

The Philippines and the United States have a bilateral MLAT; however, its effectiveness is limited because the AMLC must obtain an order from the court of appeals to obtain bank records. This process can take more than one year.

The Philippines is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In the wake of a recent controversy regarding a German company, which lost \$2.21 billion in a scam involving fake documents from Philippine banks, the AMLC reiterated the need to amend the *Bank Secrecy Act* to close certain loopholes that make money laundering difficult to investigate. The act treats all bank deposits as absolutely confidential, with limited exceptions. The AMLC has very limited authority and relies on other agencies to investigate predicate crimes. However, those agencies do not have authority to obtain bank records.

The AMLC proposed several legislative amendments to treat tax crimes as money laundering predicate crimes, include real estate developers and brokers as covered persons, and expand the investigative powers of the AMLC by providing subpoena and contempt authority.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

From January to December 2020, AMLC filed 79 cases in civil and criminal courts, including three petitions for asset forfeiture. The recent passage of the *Anti-Terrorism Act of 2020* may facilitate the adjudication of money laundering cases. The AMLC used this law in December 2020 to execute a freeze order on suspected terrorist accounts.

Challenges for the AMLC include lack of asset forfeiture training, insufficient law enforcement resources, and lack of a holistic approach in investigating financial crimes.

The AMLC is working to strengthen international and interagency cooperation through information sharing and capacity building to facilitate the efficient investigation and prosecution of money laundering, terrorist financing, smuggling, and graft and corruption.

Russian Federation

OVERVIEW

Russia has developed a robust AML/CFT legal framework with the Russian Financial Monitoring Service (FMS), the FIU, at its center. Corruption, misappropriation and embezzlement of public funds, tax evasion, fraud, and drug trafficking generate significant proceeds. There is a large shadow economy approaching 13 percent of the Russian GDP, according to the latest estimates by the Federal Statistics Service. Although cash in circulation as a percentage of total money supply has declined from a historical peak of 43 percent on November 1, 1998, to 21.6 percent on September 1, 2020, there was a 23.7 percent surge in the value of cash in circulation in January-September, largely related to COVID-19 restrictions. Financial flows from illicit activity linked to Russia have threatened weak financial institutions in neighboring countries; however, they also make their way to global financial centers, often through opaque shell companies.

The total amount of funds moved offshore through Russian commercial banks via suspicious transactions declined 72.2 percent year-on-year in the first half of the year to approximately \$259.5 million, down from approximately \$474.4 million in the same period in 2019, according to the Central Bank of Russia (CBR). Although Russia has made some progress on AML, various investigations have alleged the existence of schemes designed to launder billions of dollars out of Russia.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Official corruption at all levels of government constitutes one of the largest sources of laundered funds. Russia is also a transit and destination country for international narcotics traffickers,

particularly from Afghanistan. Cybercrime remains a significant problem, and Russian hackers and organized crime structures continue to work together. Criminals launder funds through banks, hawala networks, real estate, industrial entities, and luxury goods.

Although Russia has encouraged domestic development of blockchain-based technologies, the Russian government does not have a consistent position on the regulation of virtual currency.

There is a large migrant worker population in Russia. Many remittances are sent through an informal value transfer system that may pose vulnerabilities for money laundering. Gaming is only allowed in specified regions. The FIU monitors casinos for AML/CFT compliance, while other agencies supervise other parts of the gaming sector. Online gaming is prohibited.

KEY AML LAWS AND REGULATIONS

Russia's AML laws and regulations include the *Federal Law on Combating Money Laundering and Terrorist Financing* and numerous accompanying regulatory acts. Money laundering is criminalized in the *Criminal Code of the Russian Federation*. The criminal procedural code provides a comprehensive set of rules, including those permitting international cooperation on money laundering investigations; and the *Code on Administrative Offenses* contains civil penalties for violations of AML requirements. Russia has KYC and STR requirements in place. Russia conducted its first comprehensive money laundering NRA in 2018 and adopted an AML action plan.

The United States and Russia are parties to a bilateral MLAT.

Russia is a member of the FATF and two FATF-style regional bodies, MONEYVAL and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/documents/mer-russian-federation-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Finance Ministry unveiled the Comprehensive Russian Anti-Sanctions Plan in 2018 to mitigate the impact of Western sanctions through various measures, including suspension of disclosure requirements.

There is no corporate criminal liability in Russia. A bill providing for such liability has been stalled in the Duma since 2015. Currently, any breach of AML requirements is an administrative offense subject to a fine imposed on executives and companies in question or to a suspension of corporate activities for up to 90 days. At the end of 2018, the FMS drafted two amendments to the Russian *Code of Administrative Offenses* to significantly increase administrative fines levied on corporations for violation of Russia's AML/CFT legislation. The amendments have not yet been submitted to the State Duma.

Financial institutions are required to conduct EDD on their relationships with some PEPs, but the national list is appointment-based, not based on key functions, and close associates of PEPs are

not covered. Trusts cannot be created under Russian law, but Russians can be trustees and beneficiaries of trusts with little oversight.

Russia's cash declaration system is only applicable at the external borders of the Eurasian Economic Union (EAEU), meaning currency can move undeclared across Russia's borders within EAEU borders.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In addition to the FMS, the enforcement aspect of financial investigations in Russia is conducted by the Financial Investigations Divisions of the Federal Security Service and the Ministry of Internal Affairs. Normally, these entities work closely with the FMS to develop actionable intelligence pertaining to drug trafficking and criminal and terrorist organizations utilizing Russian financial networks in order to facilitate their criminal enterprises.

In 2019, the FMS prevented the laundering of approximately \$3.1 billion through the Russian banking sector and recovered approximately \$463 million in corruption proceeds. The CBR revoked 31 credit institution licenses in 2019 and 15 bank licenses as of September 1, 2020.

St. Kitts and Nevis

OVERVIEW

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. Its economy is reliant on tourism, its economic citizenship program, and the offshore sector. St. Kitts and Nevis is making progress in its AML regime.

The Financial Services Regulatory Commission (FSRC) (St. Kitts Branch) is responsible for the licensing, regulation, and supervision of the non-bank financial sector in St. Kitts. As of September 2019, the regulated entities supervised by the St. Kitts Branch are two insurance managers, 48 trust and service providers, 16 domestic insurance companies, 11 MSBs, four credit unions, and one development bank. There is no recent information on the number of IBCs, limited liability companies, or trusts in Saint Kitts.

The FSRC (Nevis Branch) licenses, regulates, and supervises covered persons and entities in Nevis that conduct fiduciary and international financial services businesses. As of September 2019, the 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 765 IBCs, 464 LLCs, 88 trusts, and 11 foundations from January through November 2020.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Drug trafficking and fraud are identified as the primary sources of illicit funds. According to a Joint Intelligence Office and Caribbean Customs Law Enforcement Council (CCLEC) activity

report, the money laundering risk in the country is high and the movement of cash in the region is high. Current trends indicate illegal cash moves across the region predominantly by air travel. Bearer shares are authorized and must be held by approved custodians. Specific identifying information must be maintained on bearer certificates.

Individuals are eligible for citizenship by investment (CBI) with a minimum real estate investment of \$200,000-\$400,000 for each main applicant, or through a \$150,000 contribution to the Sustainable Growth Fund. Applicants must make a source of funds declaration with supporting evidence. International contractors conduct due diligence on applicants. To strengthen this process, regulations were approved to collect biometric data on all CBI applicants. An applicant who has provided false information, has a criminal record, is the subject of a criminal investigation, and/or is involved in nefarious activity, shall not be approved for citizenship. Applicants from North Korea, Iran, and Afghanistan are prohibited. With some exceptions, an expedited 60-day accelerated application process is available. Applicants can obtain citizenship for themselves, a spouse, dependent children up to 30 years old, and dependent parents aged 55 or older. Canada requires visas for St. Kitts and Nevis passport holders due to security concerns with some CBI passport holders.

There are approximately 14 entities licensed under the *St. Christopher and Nevis Betting and Gaming (Control) Act*. While the gaming board is responsible for the general oversight of gaming in St. Kitts and Nevis, the FSRC has limited responsibilities for AML/CFT supervision of casinos.

KEY AML LAWS AND REGULATIONS

AML legislation is at the federation level and covers both St. Kitts and Nevis, giving each island the authority to organize its own financial structure and procedures. St. Kitts and Nevis has KYC and STR regulations and EDD for PEPs.

The *Customs Act No. 19 of 2014* was amended to include bearer negotiable instruments in the definition of goods.

St. Kitts and Nevis has an MLAT with the United States. The Royal St. Kitts and Nevis Police (RSCNPF) has provided police to police assistance to U.S. law enforcement agencies and other Caribbean jurisdictions.

St. Kitts and Nevis is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/saint-kitts-and-nevis-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have recommended improvement in the following areas: ensuring information is available in a timely fashion on all owners, partners, and beneficial owners of a partnership or company; and ensuring the availability of accounting information for such entities.

Nevis can form an IBC or LLC in less than 24 hours, and bearer shares are allowed, though discouraged. Strict secrecy and confidentiality laws cover IBCs and trusts.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The St. Kitts and Nevis National AML/CFT Committee is charged with issuing operational guidelines to agencies, engaging public/private stakeholders, and developing policies and guidelines to maintain the AML/CFT regime.

There were no money laundering convictions in 2020; however, seven people were arrested and charged with money laundering offenses. These cases are pending.

In 2020, the RSCNPF continued to increase staff and pursue relevant training.

The St. Kitts and Nevis Customs and Excise Department (CED) continues to work closely with other border agencies and on regional levels to identify and detect illegal transfers of cash into/out of the country. A risk-based approach is applied to courier shipments. From mid-November 2019 to October 2020, the CED investigated 14 major cases, most of which involved the illegal importation of hashish and cannabis. Five cases are pending trial and two cases resulted in convictions. The illicit drugs seized in these cases had a street value of \$273,234 (\$738,415 Eastern Caribbean dollars). Most of the seized drugs were imported via air through courier services from the United States. The CED also took part in two joint operations with the RSCNPF and the immigration department involving the smuggling of illegal immigrants into the country. The CED is a member of the CCLEC.

St. Lucia

OVERVIEW

St. Lucia's main source of revenue is tourism. St. Lucia made some progress on its AML regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

St. Lucia reports the narcotics trade is the primary source of illicit funds. St. Lucia's geographic location and porous borders increase its risk of drug money laundering. Money laundering most commonly occurs through structured deposits and currency exchanges or cash real estate transactions. St. Lucia identifies jewelry dealers, legal services, and NPOs as additional sectors vulnerable to money laundering activity.

St. Lucia's Financial Services Regulatory Authority (FSRA) listed the following regulated entities on its website: 25 insurance companies, 16 credit unions, 12 international banks, 33 international insurance companies, and 13 MSBs. The FSRA's 2018 Annual Report indicates there were 3,812 IBCs incorporated on St. Lucia and 40 international trusts as of yearend 2017.

IBCs can be incorporated in one day and nominee directors are allowed. Amendments to the *International Business Company Act* and regulations in 2018 and 2019 provide that any IBC

incorporated as of January 1, 2019, or later will be considered a “resident” company, able to do business with residents, no longer exempt from taxes, and required to file an annual tax return based on unaudited financial statements. Additionally, IBCs must 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. IBCs incorporated before December 31, 2018, will continue to be treated under the old law until June 20, 2021.

St. Lucia also amended its *International Trusts Act* (ITA) on December 12, 2018, to add a similar beneficial ownership register requirement and to allow competent authorities access to the register and other trust documents. On December 31, 2018, the government passed the *International Trust (Repeal) Act*, which will repeal the ITA as of June 30, 2021.

There is one FTZ operating in Vieux Fort.

St. Lucia’s citizenship by investment program, launched in 2015, is the region’s newest program. An individual can apply for St. Lucian citizenship through a minimum donation to the National Economic Fund of \$100,000 per applicant, \$165,000 for an applicant and spouse, or \$190,000 for a family of up to four people. Other options include a \$300,000 minimum purchase in real estate; a \$3.5 million investment for an individual, or \$6 million for more than one applicant, in an approved enterprise project; or a government bond minimum purchase of \$500,000 for an individual, \$535,000 for an applicant and spouse, or \$550,000 for a family of up to four people. Applicants must apply through a government-approved local agent. An in-person interview is not required. Applicants must make a source of funds declaration and provide evidence supporting the declaration. International firms perform due diligence checks on applicants. The government established a Citizenship by Investment Unit to manage the screening and application process. Applicants can obtain citizenship for dependent children up to 25 years old, disabled children of any age, and dependent parents.

KEY AML LAWS AND REGULATIONS

The key AML laws in St. Lucia are the *Money Laundering (Prevention) Act of St. Lucia* (MLPA), the *Money Laundering (Prevention) Regulation of St. Lucia*, and the *Proceeds of Crimes Act of St. Lucia* (POCA). The MLPA creates money laundering offenses and provides for the forfeiture of property connected to the money laundering.

The MLPA and its regulations mandate reporting entities undertake the appropriate KYC, record keeping, and CDD measures. Reporting entities are also mandated to conduct EDD for high-risk customer categories, including PEPs. *MLPA Regulation 170* stipulates covered institutions are required to maintain all relevant records on the identity and transactions of their customers, both locally and internationally, for seven years, or longer if required by the FSRA.

The MLPA makes it an offense to make a false source of funds declaration of approximately \$9,250 and above. A violation carries a penalty of approximately \$18,500 or five years’ imprisonment. There is a draft amendment to the MLPA to effectively remove the monetary threshold.

St. Lucia has KYC and STR regulations and EDD for PEPs. The Eastern Caribbean Central Bank regulates onshore commercial banks in St. Lucia.

There is an MLAT between the governments of St. Lucia and the United States. For drug investigations, illicit proceeds records may be shared informally through FIU and law enforcement channels. However, for judicial proceedings, the provisions stipulated in the MLAT are used.

St. Lucia is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/s-t/saintlucia/documents/mutualevaluationofsaintlucia.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

St. Lucia is generally in technical compliance with international standards.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

One money laundering charge was brought in 2020 in the amount of approximately \$144,750. In 2020, St. Lucia had three cash seizures with a total value of approximately \$65,450 and one forfeiture with a value of approximately \$70,650. Cash seizures and forfeiture were done pursuant to the POCA and the proceedings are civil in nature.

St. Vincent and the Grenadines

OVERVIEW

Saint Vincent and the Grenadines continues to make progress with its AML regime. The FIU has a good reputation in the Eastern Caribbean and cooperates with the United States regularly. Saint Vincent and the Grenadines addresses money laundering challenges through annual FIU training of financial institution compliance officers. The core training objectives are to identify the common trends and typologies relating to money laundering vulnerabilities.

St. Vincent and the Grenadines' economy is dependent on tourism and its offshore financial services sector. There are no FTZs or economic citizenship programs. Gaming is legal, but there are no casinos in operation. As of year-end 2019, the FIU reports there are three international banks, five international insurance companies, 24 domestic insurance companies, 16 insurance agents, six credit unions, 15 registered agents, 53 mutual funds, two MSBs, 4,284 IBCs, 70 international trusts, 153 limited liability companies, and 27 pension plans. IBCs can be incorporated in less than 24 hours from receipt of application.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Physical presence is not required for offshore sector entities and businesses, with the exception of offshore banks. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs, but not for IBCs conducting banking functions. The government requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody.

Saint Vincent and the Grenadines reports that drug trafficking, in particular marijuana, is the main source of illicit funds. The country is the Eastern Caribbean's leading producer of marijuana, and narcotics are transferred to speedboats at beaches on the leeward side or on uninhabited Grenadine islands. Couriers carry money through the airport, ports, or other points of entry. Sometimes money remitters are used.

The country has made efforts against drug trafficking by imposing strict penalties. It is also engaged with the regional security system to coordinate border control issues and is developing its Coast Guard to patrol the coastline. In December 2018, parliament passed legislation legalizing cultivation and use of marijuana for medicinal purposes.

KEY AML LAWS AND REGULATIONS

Saint Vincent and the Grenadines has comprehensive AML legislation and regulations, including the 2017 *Proceeds of Crime (Amendment) Act* (POCAA) and the 2017 *Anti-Money Laundering Terrorist Financing Code*.

Saint Vincent and the Grenadines initiated the following legislative improvements in 2020.

The *Consumer Protection Act No. 12 of 2020* protects consumer interests and establishes a department responsible for consumer affairs. It also prohibits Ponzi schemes and gives the consumer affairs department the authority to cooperate and share information on Ponzi schemes with the police and the FIU. Promoting, operating, or participating in pyramid schemes is punishable by a fine of up to \$3,700 and up to two years' imprisonment.

In 2020, the supervisory department of the FIU started risk-based assessments of non-regulated financial service providers (NRSPs) and DNFBPs. The FIU published updated guidance and offered follow-on training.

In 2020, the FIU signed MOUs with the Commerce and Intellectual Property Office, the Ministry of Trade, and the Inland Revenue Department. The MOUs' objectives are to ensure the sharing of information to facilitate registration and proper supervision of the NRSPs.

The government uses its *Mutual Assistance in Criminal Matters Act* to share information with the United States.

Saint Vincent and the Grenadines is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/saint-vincent-and-the-grenadines-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

There is no legislation governing the registration of the NRSP sector. In light of this deficiency, Saint Vincent and the Grenadines drafted AML/CFT regulations for NRSPs. The FIU will commence regulatory oversight upon passage of the updated legislation.

Virtual assets are not addressed under the current AML legal and regulatory framework. The government plans to amend the definition of cash in the POCAA to include virtual assets as well as the virtual asset service providers under the regulations.

St. Vincent and the Grenadines should become a party to the UNCAC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The St. Vincent and the Grenadines Financial Services Authority is the mandated regulatory body for the offshore financial sector, and the FIU is the supervisory authority for DNFBPs.

Saint Vincent and the Grenadines increased interagency 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 to strengthen relationships among AML stakeholders.

In May 2020, Saint Vincent and the Grenadines launched AMLive, a web-based e-reporting tool and case management solution now utilized by a wide variety of institutions as a digital component of their internal reporting procedures. This is expected to enhance reporting and enable law enforcement to access an improved data set of SARs.

For 2020, Saint Vincent and the Grenadines reported four persons were charged with money laundering. One person was convicted; the other cases remain pending in court.

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, 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.

Senegal has strengthened its legal and institutional framework in recent years by adopting legislative and regulatory texts relating to the fight against money laundering, terrorist financing and related offenses, partially addressing identified gaps. However, the provisions of the laws have yet to be fully implemented. The government 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 AML/CFT efforts and related risks; the absence of a non-conviction-based forfeiture law; weak awareness-raising programs for stakeholders; efficient implementation of a sanctions regime; and the need for improved 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 DNFBP sectors along with cross-border movement of funds seem to be the laundering channels 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 AML LAWS AND REGULATIONS

With the adoption of Decree No. 201-1499, Senegal has strengthened its domestic AML/CFT policy by expanding the Coordinating Committee to include other stakeholders. The Committee, in its new composition, has developed and validated a work plan for 2020 and a five-year national strategy paper (2019-2024). However, implementation of the 2020 work plan was constrained by the onset of the COVID-19 pandemic.

Senegal has developed a manual for the effective implementation of AML/CFT supervisory obligations in the microfinance sector. This AML inspection manual aims to provide a suitable tool for risk-based supervision to better monitor and control the operations of the microfinance sector. A draft decree to extend new supervision standards to NGOs is also currently under consideration.

The United States and Senegal do not have a bilateral MLAT 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 is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Remaining AML/CFT shortcomings include deficiencies in the full criminalization of terrorist financing, weaknesses in the forfeiture regime, an inadequate criminal code, and the lack of a dedicated asset recovery agency.

Other outstanding deficiencies focus principally on people and entities providing money or value transfer services, including insurance companies, NGOs, and traditional 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. Opacity and the inability to trace certain transactions adversely impact the implementation of AML/CFT measures. Furthermore, the country suffers from a lack of data on money laundering, terrorist financing, and related risks. Although a mechanism has been put in place to give effect to measures permitting assets to be frozen, enforcement is still lacking.

Guidance on money laundering/terrorist financing risks provided by supervisory institutions to reporting entities remains insufficient. Improving banking and non-banking supervision is therefore an obvious and much needed way to strengthen AML/CFT systems in Senegal. Corrective measures and proportionate sanctions that help to change behaviors and deter noncompliance should be consistently applied.

Sint Maarten

OVERVIEW

Sint Maarten is a semi-autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions, with approval of the local parliament. Sint Maarten has been recognized by the OECD as a jurisdiction that has implemented international tax standards. The law enforcement MOU between the four Kingdom countries and the United States includes Sint Maarten.

On November 27, 2019, the CFATF issued a public statement asking its members to consider the risks arising from the deficiencies in Sint Maarten's AML/CFT regime. On July 28, 2020, the CFATF recognized Sint Maarten's considerable efforts in addressing these risks and withdrew its call to members.

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, albeit not so much for the criminal money of customers, but more 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 with relief money from the Netherlands administered by the World Bank.

KEY AML LAWS AND REGULATIONS

The reporting institutions obligated to report unusual transactions are investment administrators, credit institutions, investment funds, providers of management services, credit card companies and credit institutions, insurers and insurance brokers, money remitting companies, and the Central Bank of Curaçao and Sint Maarten. The DNFBPs obligated to report are car dealers, jewelers, real estate agencies, lawyers, notaries, tax consultants, accountants, administration offices, and the gaming industry. The gaming industry includes games of hazard, casinos, lotteries, and offshore (internet) gaming entities. The transaction reporting threshold of \$14,000 covers cash, precious metals, jewelry, and rare objects of high value.

The Kingdom may extend international conventions to the semi-autonomous countries. The Kingdom extended to Sint Maarten the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each semi-autonomous entity can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, if these MOUs do not infringe on the foreign policy of the Kingdom. Sint Maarten is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Sint Maarten has yet to pass and implement legislation to regulate and supervise its casino, lottery, and online gaming sectors in compliance with international standards. In addition, the threshold for conducting CDD in the casino sector does not comply with international standards.

The UNCAC has not yet been extended to Sint Maarten. International regulations on combatting money laundering and the financing of terrorism activities have met resistance from politicians.

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. 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 1981 MLAT between the Kingdom of the Netherlands and the United States applies to Sint Maarten and is regularly used by U.S. and Sint Maarten law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Sint Maarten.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest in the Caribbean islands. The seaport and airport are still recovering from the aftermath of Hurricane Irma. Larger container ships dock their containers at the container facility, where they are picked up by regional feeders to supply the smaller, surrounding islands. Customs and law enforcement authorities are alert for regional smuggling, TBML, and value transfer schemes.

In November 2020, the public prosecutor settled with three money laundering suspects for \$200,000.

Spain

OVERVIEW

Spain proactively identifies, assesses, and understands its money laundering vulnerabilities and works to mitigate risks. The country 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 AML standards and, in general, has updated AML regulations and competent authorities.

The government continues to build on its already strong measures to combat money laundering. In November 2019, Spain joined five other EU member states to call for the establishment of a new supervisory authority to lead the bloc’s AML efforts as well as updated AML regulations. In May 2020, this effort culminated in the EC’s adoption of an action plan for a comprehensive EU policy on preventing money laundering and terrorism financing to be implemented by early 2021.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Spain is a transshipment point for the cross-border illicit flow 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 MVTS, and the use of cash couriers. Illicit proceeds are primarily invested in real estate in the coastal areas in the south and east of Spain, but criminal groups also place money in other sectors, including services, communications, automobiles, artwork, and the financial sector.

KEY AML LAWS AND REGULATIONS

Spain is largely compliant with international AML/CFT standards. Spain's current AML/CFT law entered into force in 2010. All associated implementing regulations entered into force in 2014. The country has comprehensive KYC and STR regulations, and PEPs are subject to EDD.

Spain is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fuar-spain-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Regulations issued by Spain in 2017 add to the information included by, and available to, financial institutions when processing wire transfers. However, Spain can do more to encourage NGOs 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 are not made available to the public.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Spain actively investigates money laundering. In May 2020, the Spanish National Police (SNP) arrested 11 cybercriminals and was investigating five others for charges of money laundering, fraud, and belonging to a criminal organization. After dismantling this organization, the SNP detected 150 bank accounts that had been used to defraud businesses across the United States, Italy, the Czech Republic, the Netherlands, Lebanon, and China. The organization used a complex network of intermediaries and carveouts to hide the origin of money obtained by criminal means (primarily phishing and social engineering) and to obscure the final recipients of the funds.

Spain actively prosecutes money laundering cases, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

Suriname

OVERVIEW

Money laundering in Suriname is linked to criminal activity related 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 FIU has increased its engagement with 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

Money laundering may occur in the formal financial sector, though there is no evidence the sector facilitates the movement of currency from illegal drug sales in the United States. An approximately \$23 million cash shipment by the Central Bank of Suriname was confiscated by Dutch authorities in 2018. In December 2019, a Dutch court ruled that the Central Bank of Suriname enjoyed state immunity, and the money shipment was unlawfully confiscated. Dutch prosecutors appealed the decision on the suspicion that the cash shipments – which belonged to three Surinamese banks – were connected to money laundering. The three banks have filed a grievance.

Local banks have instituted rules on identifying the source of large cash deposits and limiting deposits of high-denomination currency. Exchange houses have begun enforcing proof of identity. Banks are promoting wire transactions and have introduced mobile services. Suriname's current domestic financial crisis may contribute to money laundering, as local banks cannot meet the U.S. dollar needs of their customers, and cash withdrawals are limited. As a consequence, many Surinamers do not deposit their U.S. dollars in banks. While Suriname depreciated its currency in September 2020, there is still a gap between the official exchange rate and the unofficial parallel rate. This places unknown sums of cash outside of formal financial institutions.

Suriname has online gaming.

KEY AML LAWS AND REGULATIONS

Suriname has an adequate legal framework for AML enforcement, but amendments need to be made to comply with international standards. Suriname did not pass or amend AML legislation in 2020. KYC 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 CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/member-countries/suriname>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Suriname has yet to complete an NRA, although one is underway.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, PEPs.

Supervision of DNFBPs remains limited. The FIU has continued outreach activities to, registration, and inspections of DNFBPs. The FIU is developing further technical skills with donor assistance. Suriname is not a member of the Egmont group.

The government staffed the gaming board, but there is still little effective supervision of the large casino sector.

The Government of Suriname is not party to the UNCAC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In January 2020, then-central bank governor Robert van Trikt stepped down amid allegations of wrongdoing. On February 6, 2020, he was arrested for violations of the *Money Laundering Act*. On April 23, 2020, the attorney general submitted a request to the national assembly to start the process of charging then-finance minister Gillmore Hoefdraad for activities related to the Van Trikt case. By Surinamese law, the national assembly must vote to allow an investigation of a current or former officeholder. The national assembly voted against the attorney general's request. On July 20, 2020, following national elections, the attorney general submitted a new request, which the new national assembly approved. As of November 2020, Hoefdraad's whereabouts were unclear. On August 11, 2020, Hoefdraad's lawyers filed an injunction against the State of Suriname, the national assembly, and the Attorney General's Office. There are four other people in custody related to the Van Trikt case and Interpol arrest warrants out on three individuals - including the former minister of finance.

Tajikistan

OVERVIEW

Money laundering in Tajikistan is associated with criminal activities, such as corruption, bribery, embezzlement, and drug trafficking. Tajikistan is a transit country for Afghan opiates smuggled to Russia, Belarus, and some European countries via the so-called “northern route.”

Tajikistan has made significant efforts to improve its 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, one of the world’s leading illicit opium producers. Most drug seizures along the Northern Route in Central Asia occur in Tajikistan. It is widely assumed drug trafficking is a major source of funds to be laundered.

Tajikistan’s location also makes it susceptible to terrorism and terrorist financing. According to the National Bank of Tajikistan (NBT), in the first nine months of 2020, there were four criminal cases related to terrorist financing in Tajikistan and one related to money laundering. Corruption and bribery may also be major sources of criminal funds. Remittances and trade with countries vulnerable to terrorist financing increase the risk and likelihood of money laundering in Tajikistan.

Criminal groups most likely launder illicit proceeds through Tajikistan’s banking sector. Real estate transactions and company equity shares also may serve as mechanisms for laundering money.

There are four established free economic zones in Tajikistan: Sughd, Panj, Dangara, and Ishkashim. These free economic zones focus on manufacturing, and it is unclear what, if any, role the zones play in national or international money laundering.

KEY AML LAWS AND REGULATIONS

Tajikistan has in place an AML/CFT legal framework. In 2018, a presidential decree approved the National AML/CFT/proliferation financing (AML/CFT/PF) Concept 2018-2025. The Tajik government has amended laws related to AML/CFT to comply with international standards and implemented recommendations made by international experts. The Tajik government’s AML/CFT legal framework and concept paper mandate reforms by key agencies to prevent money laundering, but implementation is mixed. The leading agency for combating money laundering is the Anti-Corruption Agency. The Drug Control Agency under the President of the Republic of Tajikistan is responsible for combating drug-related money laundering.

Tajikistan is a member of the EAG, a FATF-style regional body. Its most recent MER 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

Oversight measures introduced to comply with legal requirements for AML/CFT exposed some technical shortcomings. The existing process for STRs still needs enhancements. For example, most credit institutions have automated the process for detecting suspicious transactions, but the overwhelming number of the questioned transactions were deemed remittance transfers or trade operations with countries rated as high-risk for terrorist financing. Tajik financial institutions require additional training and technological resources to identify suspicious transactions. Furthermore, the Tajik government could improve AML/CFT oversight of banking NPOs to prevent money laundering.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

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.

Money laundering crimes are usually prosecuted as an additional element of a criminal case. It is difficult to assess the effectiveness of money laundering investigations. Pervasive corruption, which serves as both a source of illicit funds and a mechanism to prevent investigations, poses a challenge for AML efforts. While training and other resources are needed to combat money laundering, Tajikistan also requires a comprehensive strategy to reduce corruption in the country.

Tanzania

OVERVIEW

Tanzania has introduced several laws to address money laundering and terrorism financing. Zanzibar now recognizes the FIU as the national center for the receipt, analysis, and dissemination to law enforcement agencies of STRs.

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 nexuses to money laundering 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. During the last 18 months, the Government of Tanzania has 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. On September 22, 2019, President Magufuli called for “amnesty” for those accused of money laundering and other economic crimes, in exchange for a guilty plea and fines. Tanzania should commit to enforce money laundering laws in an even and transparent manner, and build

capacities among key stakeholders in the financial, law enforcement, customs, tax collection, and judicial sectors.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Tanzania's large, porous borders and geographic position present challenges in combating financial crimes. The vast majority of Tanzanians work in the informal sector, and thus use cash-based, informal, and nontraditional financial systems. Over the past three years, the Tanzania Revenue Authority (TRA) dramatically increased efforts to collect taxes, often using aggressive tactics and levying arbitrary fines. This has motivated businesses and individuals, especially international traders, to transfer more money outside the formal financial system to avoid taxation. Criminals employ these same methods to move money.

Cross-border trade in used-cars, auto parts, clothing, cosmetics, and smuggled cigarettes and foodstuffs are of particular concern, along with illegal trade in precious minerals and stones. Furthermore, front companies, hawaladars, and currency exchanges are used to launder funds, particularly in Zanzibar. Tanzania's two international seaports and other smaller ports create opportunities for TBML.

Foreign investment in the tourism sector in Zanzibar and real estate in both mainland Tanzania and Zanzibar are also used for money laundering. In April 2019, Tanzania published its NRA (dated December 2016) on money laundering and terrorist financing covering the period of 2010-2015; the report identifies these same sectors as high-risk.

KEY AML LAWS AND REGULATIONS

The government issued new regulations pertaining to money laundering and financial crime in 2019. The *Anti-Money Laundering (Amendment) Regulations of 2019* introduce stricter STR requirements, KYC identity document requirements, requirements to carry out money laundering and terrorist financing risk assessments, comprehensive CDD, and increased fines for noncompliance. 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.

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* that enables authorities to make regulations on the prohibition of terrorism 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 *Proceeds of Crime Act*. The law allows mutual legal assistance requests and enforcement of foreign forfeiture orders but not asset sharing.

Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Tanzania is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: https://www.esaamlg.org/index.php/Countries/readmore_members/Tanzania.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Tanzania has strengthened its AML regulations, yet deficiencies remain. Policy coordination within the government and consultation with the private sector and stakeholders is weak. Additionally, authorities still have failed to address problems related to non-conviction-based forfeiture. Regulations provide for a risk-based approach to KYC and CDD requirements; however, this approach 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.

Tanzania's track record of responding to requests for mutual legal assistance is poor. Requests from the United States have been pending for over two years; other older cases have been closed following no response from the Tanzanian government.

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, but 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 four land borders and through airports and seaports. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of criminal enterprises. Unlicensed and

unregulated hawala brokers serve Middle Eastern travelers by transferring money through their own honor-based channels rather than formal financial instruments. Unregulated Thai and Chinese remittance systems are also prevalent.

KEY AML LAWS AND REGULATIONS

Thailand's *Anti-Money Laundering Act* (AMLA) has been amended several times since its initial passage in 1999, broadening the overall scope of criminal liability and increasing powers to conduct investigations and make seizures. Tax offenses, terrorism, and proliferation are money laundering predicate offenses.

AMLA Section 22 includes KYC and STR requirements. The Anti-Money Laundering Office (AMLO) acts as the country's FIU. It is responsible for supervision of all reporting entities and is the key AML/CFT enforcement agency. Financial institutions are required to keep customer identification and financial transaction data for five years from termination of relationship. They must also keep due diligence records for ten years. Penalties for violating reporting requirements can include potential asset seizure.

On August 12, 2020, AMLO issued updated CDD regulations CDD that refine definitions and clarify CDD processes to simplify compliance with international AML standards. On June 15, 2020, the government held public hearings on proposed amendments to the AMLA and the CFT act to cover financial technology service providers and simplify appeals of designations.

Thailand has varying reporting requirements for the import and export of currency. At airports, foreign or Thai Baht currency or other negotiable monetary instruments with aggregate values exceeding approximately \$15,000 must be declared to customs. Approval from the Bank of Thailand is required to take Thai currency (cash) in amounts exceeding approximately \$1,700 out of the country. The threshold is higher, at approximately \$61,500, for Thai currency destined for Cambodia, Laos, Burma, Vietnam, Malaysia, and China's Yunnan province. For fund transfers to commercial banks, foreign (non-Thai) currency can be transferred into Thailand without limit. However, the deposit must be transferred into an authorized bank and either be exchanged into Thai baht or held in a foreign currency account. Any person purchasing, selling, depositing, or withdrawing foreign currencies from an authorized bank in the amount of \$50,000 or above is required to report the transaction.

In March 2018, Thailand issued the Digital Asset Business Decree to regulate the offering of digital assets and bring the operations of crypto and other digital exchanges and intermediaries under the supervision of the Thai Securities and Exchange Commission (SEC). The royal decree covers cryptocurrencies, digital tokens, and any other electronic data unit, as specified by the SEC. Exchanges, brokers, and dealers are required to apply for licenses from the Finance Ministry, and the SEC must approve initial coin offering portals.

The United States and Thailand have a bilateral MLAT in place. Thailand actively shares information with international partners, including the United States, through the Egmont Group process.

Thailand is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=thailand>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Thailand has numerous unlicensed, unregulated informal remittance systems. The AMLA's compliance regime should be applied more strictly to these MSBs to deter their use as money laundering vehicles.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Operationally, Thai government authorities continue to utilize the AML regime to focus on nonconviction-based asset seizure and forfeiture, as well as criminal enforcement. The AMLO is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. The AMLO has exercised its authority to seize assets in a number of suspected human trafficking cases. From January to October 2020, there were 90 prosecutions and 124 convictions. In 2019, there were 208 prosecution and 245 convictions.

Thailand has some difficulty sharing information with jurisdictions that require separate MOUs outside of the Egmont Group.

Trinidad and Tobago

OVERVIEW

Trinidad and Tobago's geographic location in the southern Caribbean, developed financial systems, and use by criminal organizations as a transshipment point for narcotics and other illicit goods make it vulnerable to money laundering.

In 2020, Trinidad and Tobago made progress toward strengthening its AML regime, including strengthening its legislative framework and investigating and prosecuting suspected cases of money laundering. While continuing to improve, Trinidad and Tobago still has deficiencies in its AML regime that need to be addressed.

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. Sustained political will, continued legislative and institutional reforms, including full implementation of laws and regulations, and adequate resources to detect, investigate, and prosecute money laundering-related offenses are needed to ensure the proper enforcement of Trinidad and Tobago's AML regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Due to the country's proximity to Venezuela and its position as a regional hub for commercial air and shipping, criminal organizations use Trinidad and Tobago for the transshipment of narcotics

and other illicit goods, creating significant monetary flows through the country. The country's relative wealth and well-developed financial sector increase the risk of money laundering. Along with proceeds from illicit trafficking, fraud, tax evasion, corruption, and illegal gaming are among the most common sources of laundered funds. There are indications that persons commingle funds between personal and business accounts or use remittance services, gaming institutions, and commercial and retail businesses to launder funds.

In August 2020, authorities warned of the growing prevalence of pyramid schemes in the country and urged citizens to exercise caution. Authorities note that such schemes are potential avenues for money laundering activity. Public casinos and online gaming are illegal but there are numerous illegal gambling 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 FTZs but the companies operating within FTZs account for a modest portion of total exports.

KEY AML LAWS AND REGULATIONS

Trinidad and Tobago has comprehensive CDD and STR regulations and requires enhanced due diligence for PEPs.

In 2019, Trinidad and Tobago passed legislation to allow for non-conviction-based asset recovery and "unexplained wealth" orders. The law is currently subject to an appellate court review, but the government can enforce the provisions of the law pending the review process. In August, the attorney general announced the Trinidad and Tobago police are investigating several matters pursuant to the new civil asset forfeiture law.

Trinidad and Tobago is party to an MLAT with the United States. In 2019, the government issued a regulation to prioritize all requests for mutual legal assistance.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Criminal prosecutions take years, sometimes over a decade, to be resolved, and successful prosecutions of money laundering cases, while increasing, are still rare. The lack of timely prosecutions has a corrosive impact on AML efforts and encourages others to engage in financial crimes.

The 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. In recent years, the government has passed several laws, including the introduction in 2019 of plea bargaining and judge-only trials, created new courts, and increased usage of technology in the court system. While the government has been slow to utilize the plea

bargaining provisions, technological improvements, including the installation of donor-funded case management software, has increased efficiency in the judicial system.

The Trinidad and Tobago government may reintroduce legislation to regulate the gaming industry during the current legislative year. A previous bill to regulate the gaming industry was introduced in 2016 but failed to gain support in parliament.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2017, Trinidad and Tobago made a high-level political commitment to strengthen the effectiveness of its AML regime and adopted an action plan to address identified deficiencies. In 2020, Trinidad and Tobago continued to make progress on its action plan, subject to the sustained implementation of reforms. In 2020, the government's Financial Investigations Branch opened three investigations resulting in 66 total charges related to money laundering. Nonetheless, Trinidad and Tobago still has deficiencies in its AML regime and proper implementation of reforms to counter money laundering will take time, sustained political will, and resources.

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. Recent conflicts on Turkey's southern border have aggravated those threats. Turkey is a hub for licensed and unlicensed money remitters, many of which serve the approximately 4 million refugees in Turkey. Turkey's AML/CFT legislation is in line with international standards; however, Turkey continues to have few effective money laundering prosecutions and forfeiture actions. Most forfeiture actions are focused on suspected followers of U.S. resident Fethullah Gulen, a group the Government of Turkey has designated a terrorist organization.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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. The NRA identifies drug trafficking, migrant smuggling, human trafficking, and fuel smuggling as the crimes that pose the highest money laundering risk. Turkey is a destination for illicit proceeds from cyber fraud perpetrated in the United States. In 2019, Halkbank, a majority state-owned bank, was indicted in the United States on charges of fraud, money laundering, and participation in a multibillion-dollar scheme to evade U.S. sanctions on Iran.

Front companies and shell companies are misused to disguise illicit proceeds as legitimate income. Unlicensed money remitters move bulk cash and use their bank accounts to move illicit proceeds through the financial system. Additionally, virtual currency remains insufficiently

regulated and supervised. As of January 1, 2020, the Central Bank of the Republic of Turkey (CBRT) licenses and supervises payment service providers and electronic money institutions.

Turkey is a hub for the proliferation and trafficking of sensitive technologies and weapons due to its proximity to countries attempting to circumvent international laws. Many traffickers of such items can establish financial institution accounts because of inadequate CDD procedures.

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. Turkish law enforcement acknowledges the legislative gap and its inability to combat illicit money movement through casinos.

KEY 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 CDD and STR reporting.

The Financial Crimes Investigation Board (MASAK), the Turkish FIU, is the AML regulatory and supervisory authority. MASAK mainly relies on the prudential regulatory and supervisory authorities for onsite examinations.

Turkey is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Turkey-2019.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Turkey needs to address the lack of policy and program coordination. There is no centralized government AML policy to be implemented across all stakeholders using a risk-based approach. Instead, the government embeds its AML approach in interagency national strategy policy papers and action plans on selected topics.

Turkey’s 2018 money laundering NRA is not publicly available. Its conclusions have been shared with financial institutions and DNFBSs through workshops, and the government uses it to develop and refine AML strategies and policies.

Many financial institutions apply KYC procedures insufficiently. Although there is no explicit obligation for EDD when doing business with foreign or domestic PEPs, financial institutions are required to implement EDD for high-risk groups, and MASAK reports most financial institutions regard PEPs as high-risk. Trusts do not exist in Turkey. There is no CDD guidance for financial institutions dealing with professional trustees providing services to foreign trusts and arrangements.

Turkey’s 120,000 NPOs are not regularly audited for money laundering activity and do not receive adequate AML guidance. The government determined the 747 riskiest NPOs and has

subjected them to increased auditing. Foreign NPOs are now subject to yearly audits. In 2020, the government increased AML outreach and training for auditors and NPOs.

Turkey does not have asset sharing provisions as part of its forfeiture laws.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Turkey lacks the capacity to effectively identify, investigate, and successfully prosecute money laundering. Since 2013, the number of money laundering prosecutions and convictions has been disproportionate to the volumes of filed STRs and predicate crime investigations. Through 2019, roughly 365,000 STRs resulted in 11 money laundering convictions, and almost 290,000 criminal investigations of predicate crimes resulted in less than 50 money laundering convictions. MASAK reports there were 203,786 STRs in 2019. In 2019, there were a total of 220 prosecutions.

The U.S. DEA, in 2020, provided information to Turkish law enforcement to enable them to pursue potential drug trafficking or money laundering investigations in Turkey on their own or jointly with DEA. Turkish law enforcement authorities were not receptive to U.S. government efforts to work with Turkey to open investigations.

Turkey and the United States have a Customs Mutual Assistance Agreement. U.S. Homeland Security Investigations (HSI) established partnerships with both the Turkish National Police and the Ministry of Trade's Customs Enforcement, enabling the interdiction of narcotics originating from Central and South America. Turkish law enforcement is cooperative with HSI, engages in coordinated investigations, and proactively seeks assistance from the United States in these matters.

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. Among the largest domestic banks are Dayhanbank, which services the agriculture sector; Halk Bank, which manages private savings; Turkmenbashi Bank, which finances industrial infrastructure; and the State Bank for Foreign Economic Relations, which services major state- and privately-owned enterprises, including from the oil and gas sector. Three foreign commercial banks have operations in Turkmenistan: Turkmen-Turkish Joint Stock Commercial Bank, National Bank of Pakistan, and Saderat Bank of Iran. Deutsche Bank and Commerzbank also have representative offices in Turkmenistan and provide bank guarantees to companies; they do not offer retail banking services.

The country's significant mineral and hydrocarbon exports are paid for through offshore accounts with little public scrutiny or accounting. Since the Government of Turkmenistan

introduced numerous limitations on foreign currency exchange in 2016, converting local currency (manat) into foreign currency has become 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. Although there is no available information on cash smuggling, gasoline, tobacco products, and other commodities are routinely smuggled across the borders.

Much of Turkmen wealth is kept offshore. The government reportedly is working to address this issue. In 2007, Turkmenistan created the Awaza Tourist Zone (ATZ) to promote development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

KEY AML LAWS AND REGULATIONS

Over the last few years, the government has taken positive steps to combat money laundering and corruption. On June 2, 2017, the president created the State Service for Combating Economic Crimes (SSCEC) to analyze corruption and investigate and prevent crimes involving financial damage to the state, although its level of effectiveness remains in question. On January 25, 2019, in order to better combat economic crimes and strengthen law enforcement agencies, President Berdymukhamedov signed a decree on the merger of the SSCEC with the Ministry of Internal Affairs. This organization is joined by the Financial Monitoring Service (FMS) within the Ministry of Finance and Economy. Formed in October 2018, the FMS is the FIU and the competent authority for the prevention of money laundering and terrorism financing. The government also continues to pursue international cooperation to curb offshore tax evasion.

On August 18, 2015, the Turkmen Parliament adopted an AML/CFT law that came into effect on January 1, 2016. The law addresses international cooperation and deficiencies regarding due diligence procedures for DNFBPs and PEPs, among other items. Turkmenistan has KYC and STR regulations.

The United States does not have an MLAT with Turkmenistan.

Turkmenistan is a member of the EAG, a FATF-style regional body. Turkmenistan's most recent MER is available at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Lack of transparency, storage of wealth offshore, 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.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Turkmenistan's Inter-Agency Coordination Working Committee for Combating Money Laundering and Terrorism Financing operates under the Ministry of Finance. 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 2019.

Turkmenistan's legal system provides protection and exemption from liability for financial institutions filing STRs with the Financial Monitoring Service of Turkmenistan, the FIU, and sets limitations on the disclosure of information financial institutions obtain in performing their AML obligations.

In 2020, donors conducted seminars in Ashgabat for law enforcement agencies, supervisory bodies, and other relevant government and non-government agencies. The seminars focused on mutual evaluations and compliance with international standards, countering terrorism finance, thwarting money laundering schemes, and suspicious transaction analysis and financial investigation. There is 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. The 2020 enactment of a new AML law provides some hope for improvement by enhancing the ability of regulators to detect and prevent financial crimes.

Public corruption is the primary source of laundered funds. Ineffective state institutions allow criminal proceeds to go undetected. Launderers register as ultimate beneficial owners (UBOs) under aliases to avoid detection and integrate laundered money into legal businesses. Authorities still rarely target large-scale corruption-related money laundering operations.

The National Anti-Corruption Bureau of Ukraine (NABU) and the Specialized Anti-Corruption Prosecutor's Office (SAPO) prosecute money laundering offenses as a mechanism for pursuing corruption. However, legal maneuvers supported by entrenched interests jeopardize the independence and functionality of Ukraine's anticorruption infrastructure and affect its AML/CFT efforts. In August 2020, the Constitutional Court of Ukraine (CCU) determined provisions of the law establishing the NABU to be unconstitutional. In October 2020, the CCU blocked prosecutions for illicit enrichment and halted the processing of public officials' asset declarations.

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 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, and bulk cash smuggling.

The State Financial Monitoring Service (SFMS), Ukraine's FIU, submitted referrals to law enforcement related to the use of non-resident companies, inflated asset purchase prices, embezzlement at state-owned enterprises, tax evasion, and terrorism/separatism financing.

KEY AML LAWS AND REGULATIONS

Ukraine has a sufficient legal framework for prosecution of money laundering and cooperation with international partners. The SFMS monitors AML/CFT efforts and is capable of generating high-quality financial intelligence.

On April 28, 2020, a new AML law came into force, bringing Ukraine's AML/CFT framework in line with EU legislation. It mandates a risk-based approach, strengthens CDD, sets the CTR reporting threshold at approximately \$14,100, improves disclosure of beneficial owners, adds new rules for PEPs, and significantly increases fines for failure to identify financial operations subject to financial monitoring.

On July 14, 2020, parliament passed the *Law on Gambling*, legalizing gaming in Ukraine after an 11-year ban.

The National Bank of Ukraine (NBU) performs AML/CFT compliance monitoring and surveillance of Ukraine's banking system. Inspections follow a risk-based approach. The Asset Recovery Management Agency (ARMA) finds, traces, and manages assets derived from corruption and other crimes.

Ukrainian authorities exchange information on investigations of financial crimes with international partners through the SFMS. Ukraine and the United States also have a bilateral MLAT. The United States and Ukraine do not have a bilateral extradition treaty.

Ukraine is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-ukraine-2017.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Ukraine improved its criminal provisions regarding terrorism financing and sanctions for noncompliance with AML/CFT legislation. International experts noted Ukraine needs to improve its financial sanctions related to terrorism and proliferation, regulation and supervision of DNFBPs, and maintenance of AML/CFT statistics. The SFMS recommended to the Cabinet of Ministers of Ukraine improvements in the regulation of virtual asset transactions, real estate brokerages, and foreign trusts; registries of banking accounts and safe deposit boxes; and in the inspection of UBOs.

ARMA continues to experience serious challenges, especially in managing complex assets. A comprehensive asset tracking system should be an urgent priority.

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 or their associates. Significant improvements are required on the part of non-bank supervisory authorities, including the Stock Exchange Commission and Ministries of Justice, Finance, and Digitalization. Improved AML regulation is also necessary for non-bank institutions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Ukraine has made significant progress in addressing regulatory gaps involving financial institutions but limited progress in addressing other identified technical compliance deficiencies.

Ukraine should address fictitious entrepreneurship, the shadow economy, and the relatively high reliance on cash, all of which are considered significant money laundering risks. The government also needs to address cross-border risks and risks posed by NPOs and legal persons.

The SFMS published Ukraine's second money laundering/terrorist financing NRA in December 2019, as well as new guidelines for reporting entities. Ukraine is working to implement an action plan to improve the effectiveness of the national financial monitoring system.

While the NABU and SAPO are taking actions against current senior PEPs for corruption, more successful prosecutions in cases involving high-level corruption and theft of state assets are needed. External pressures, such as the recent CCU decisions, pose a more fundamental threat to Ukraine's anticorruption institutional architecture.

According to the office of the General Prosecutor, in the first nine months of 2020, 268 allegations of money laundering were reported. The state judicial administration reported 134 registered cases and 16 convictions for money laundering crimes in 2019. In 2020, NABU reported 17 investigations for money laundering. In addition, six criminal cases were sent to the High Anti-Corruption Court (HACC). The HACC has not considered any money laundering cases since it began operation in September 2019.

United Arab Emirates

OVERVIEW

The United Arab Emirates (UAE) is a regional hub for trade and financial activity that has aggressively expanded its financial services business. Illicit actors may take advantage of the open business environment and global transportation links. Additionally, the overlapping yet distinct jurisdictional regimes for supervision and enforcement across the seven emirates and disparate commercial and financial free zones create exposure to regulatory arbitrage.

In recent years, the government has taken steps to enhance its AML/CFT program. Relevant authorities need to streamline internal mechanisms to improve the interagency decision-making process, enhance efforts to investigate money laundering and terrorist financing, and proactively implement and enforce related laws.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The UAE is a transshipment point for illegal narcotics and a pass-through for drug proceeds. Funds are laundered primarily through banks, 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, TBML, abuse of corporate structures, and the laundering of proceeds of foreign predicates.

Domestic public corruption contributes little, if anything, to money laundering.

The UAE has an extensive offshore sector, including two financial free zones (FFZs) and more than 37 FTZs. The FTZs host over 5,000 multinational companies and thousands more individual trading companies. FTZ companies are considered offshore for legal purposes. Though UAE law prohibits shell companies and trusts, FTZs present a significant gap in regulatory oversight. FTZs benefit from special tax, customs, and import regimes and are governed by their own regulatory framework. FTZs are often a permissive environment for unidentified 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 over these jurisdictions.

KEY AML LAWS, REGULATIONS

In April 2020, the chairmanship of the National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organizations (NAMLCFTC) was taken over by the new governor of the Central Bank of the UAE (CBUAE). AML/CFT efforts are further guided and coordinated by the higher committee overseeing the National Strategy for AML/CFT.

In 2020, UAE authorities issued several new AML/CFT regulations. The UAE Securities and Commodities Authority issued *Circular 1 (2020)* to financial service companies and commodities exchanges covering procedures for freezing and unfreezing assets and requirements relative to UNSCRs and locally-designated individuals. The UAE Insurance Authority issued

Resolution 19 (2020) to provide guidance to insurance companies and related professions on the proper submission of required information and reports. The resolution also requires companies to establish AML/CFT compliance officers and policies and to submit periodic self-evaluation reports. The UAE Council of Ministers issued *Resolution 58 (2020)* requiring declaration of beneficial ownership, shareholder disclosure, and timely updating of ownership information. The resolution applies to all legal persons, including those within the FTZs, that meet stated control thresholds but does not cover companies incorporated in FFZs or companies owned by the local or federal government or their subsidiaries.

The UAE does not have a bilateral MLAT or extradition treaty with the United States. However, the UAE is a party to several multilateral law enforcement conventions with mutual legal assistance provisions.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://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 and its fragmented and uneven federal regulatory and enforcement regime present systemic vulnerabilities. These vulnerabilities are most apparent throughout the vast exchange house sector, hawala networks, and unlicensed money transmitters, often operating under the guise of general trading companies. These areas should be more tightly regulated under a centralized framework.

The UAE could strengthen oversight by publicly releasing metrics on money laundering and terrorist financing prosecutions and convictions. International experts have criticized the UAE's implementation of AML/CFT safeguards, particularly with respect to international cooperation, legal persons and arrangements, money laundering prosecution and conviction, and proliferation-related targeted financial sanctions.

The UAE's FIU lacks specialized expertise and sufficient staff, undermining its mission to monitor STRs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2020, the CBUAE mandated hawaladars and informal money transfer service providers formally register with CBUAE in accordance with AML/CFT regulations. CBUAE indicated legal action will be taken, including financial penalties and imprisonment, against hawala providers who fail to register their applications within 90 days.

UAE authorities arrested individuals involved in cyber fraud valued at \$435.6 million; sentenced an accountant to prison and fined him \$81,700 for abetting in money laundering; temporarily suspended 200 law firms and issued fines for failure to appoint AML/CFT compliance officers and complete AML/CFT questionnaires; and imposed financial penalties on two exchange houses for weak compliance with AML/CFT regulations.

In September 2020, the NAMLCFTC, in collaboration with the Federal Authority for Nuclear Regulation, launched case-management software intended to integrate and aggregate information regarding the financing and proliferation of weapons of mass destruction across federal and local authorities, facilitating timely communication and action. The platform should improve monitoring and investigative capacity.

Resources for the FIU should be increased. Law enforcement at the emirate level and the federal security services should enhance their enforcement efforts. Proactively developing money laundering cases and establishing appropriate asset forfeiture procedures would strengthen the local enforcement regime. Additionally, officials should conduct more inquiries into large, cross-border cash flows.

United Kingdom

OVERVIEW

The UK is a global leader in combating illicit finance. Money laundering presents a risk to the UK because of the size, sophistication, and reputation 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 continues to deliver its economic crime plan, including public and private sector reform. The UK should strengthen the capabilities of the FIU, reduce inconsistencies in the supervisory regime, and increase its international reach to tackle money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Cash-based and high-end money laundering remain the greatest areas of risk to the UK. The main methods of laundering are cash collection networks, international controllers, and money services businesses. Criminals often use professional services to disguise the origins of funds, using legal, accountancy, and company service providers to set up 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 and better understand the risk.

KEY AML LAWS AND REGULATIONS

The UK updated its money laundering/terrorist financing NRA in 2020.

Money laundering is criminalized and can be considered a component or predicate offense of more serious crime. New tools, such as unexplained wealth orders (UWOs), help identify and recover assets linked to corruption and other serious offenses. The UK has a comprehensive AML regime and participates in multilateral efforts to counter transnational financial crimes.

The UK updated its AML regulations in January 2020 to implement the EU's Fifth Money Laundering Directive. 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 once it breaks final ties with the EU at the end of 2020.

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 has served as a model, but verification of the information remains a challenge. 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 money laundering purposes with foreign law enforcement and other authorities.

The UK is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The UK's AML legal framework is strong. International experts have identified areas for improvement, including the FIU's insufficient resources and limited role, weaknesses in suspicious transaction reporting, and correspondent banking measures. Improvements in risk-based supervision and implementation of AML measures within the private sector are needed. The UK's economic crime plan seeks to address these deficiencies.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

There are 25 AML supervisors of financial institutions and DNFBPs in the UK, ranging from public-sector statutory organizations to professional bodies. The UK has a mandatory reporting process for supervisors. The government maintains the Office for Professional Body AML Supervision to share best practices and ensure effective supervision.

In 2019, there were 1,342 prosecutions and 1,044 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. The UK maintains a publicly accessible register of company beneficial ownership information. Companies that do not provide information are subject to penalties.

The UK is increasingly employing UWOs to require persons suspected of having links to serious crime and non-European Economic Area PEPs suspected of corruption to explain how they lawfully acquired their assets. Since 2018, UWOs have been obtained in four cases – three cases remain active with an estimated total value of approximately \$193.5 million (£143.2 million) as of March 31, 2020. Notably, in December 2020, the UK supreme court upheld the first UWO issued under the legislation: one to Zamira Hajiyeva, the wife of a convicted chairman of the Bank of Azerbaijan, who reportedly spent more than \$1 million per year at Harrods over more than a decade.

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 a variety of law enforcement and government departments.

The UK has been 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.

Uzbekistan

OVERVIEW

Uzbekistan's efforts to implement international AML/CFT standards are hampered by corruption, a lack of interagency cooperation, frequent turnover of personnel, vulnerability to political influence, and insufficient technical expertise. The government's reluctance to share data on prosecutions makes it challenging to evaluate Uzbekistan's AML/CFT progress. Despite improvements in legislation, the general trend is one of stasis.

Recommendations include improving transparency and availability of AML/CFT data, improving technical expertise, using modern software for investigations, improving interagency collaboration, and strengthening working-level cooperation with other countries.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illicit funds in Uzbekistan derive from endemic corruption, smuggling, and drug trafficking. Uzbekistan borders all the Central Asian countries, as well as Afghanistan, and is situated on key trade routes, making the country vulnerable to extremist groups in neighboring countries and the illicit cross-border movement of drugs, goods, and cash.

Government oversight is avoided by hawala-type money transfers, electronic money, and large cash operations. Bulk cash smuggling in foreign currencies occurs mainly on the borders with Kazakhstan and Kyrgyzstan. The government believes large proceeds from tax and customs evasion are laundered through economic activities. The registration of legal entities abroad is used for tax evasion and to conceal the identities of beneficial owners. Illicit proceeds are often transferred to banks in offshore territories, mainly in Latvia and the British Virgin Islands, and then brought back to Uzbekistan under the guise of foreign investment. By law, foreign exchange transactions with 69 offshore territories are monitored, including the British Virgin Islands but not Latvia.

Uzbekistan's cash economy, high import tariffs, excessive bureaucracy, and remittances from migrants abroad pose additional challenges. The securities, banking, and insurance industries

suffer from extensive government regulation and lack advanced technical capacity to combat money laundering.

KEY AML LAWS AND REGULATIONS

Uzbekistan's KYC and STR regulations are reflected in the *Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism*. In October, the government initiated a new requirement for local banks to report on transfers abroad of more than \$10,000 per month by residents. Tax authorities introduced a more comprehensive monitoring mechanism to facilitate requests for information from taxpayers when suspicious or illegal foreign exchange transactions are detected. The government also passed a new law requiring payment processing services, electronic money platforms, and individuals trading cryptocurrencies to conduct CDD, risk management for money laundering, and the detection of suspicious transactions.

A new anticorruption agency was established in 2020 and is developing anticorruption regulations for public agencies and a system of income and asset declaration for all public servants. In October, the Prosecutor General's Office proposed to amend the criminal code to permit the confiscation of illicit proceeds, money intended to finance extremism/terrorism, and the means used to commit crimes. The State Customs Committee has proposed a draft law granting it authority to access bank information, currently protected by secrecy laws.

The Interdepartmental Commission on Countering the Legalization of Proceeds from Crimes and Terrorism Financing coordinates NRAs, analyzes national policies and practices, and develops recommendations for the further development and strengthening of the national AML system. The commission's activities are aimed at creating an effective mechanism for interaction among government bodies, self-regulatory organizations, and the private sector in countering the legalization of proceeds from crime, terrorist financing, and proliferation financing. The Department for Combating Economic Crimes under the General Prosecutor's Office is a working body of the commission.

Uzbekistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at:

https://eurasiangroup.org/files/uploads/files/other_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%20202010.pdf

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Uzbekistan's KYC and STR laws are not comprehensive and the country lacks regulations on 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 EDD for PEPs based on a 2018 decree, though the requirements are vague and high-level officials often avoid punishment for exceeding their authority or other violations. The investigation of serious cases of public corruption, abuse of power, and money laundering remains rare.

The United States does not have a bilateral MLAT with Uzbekistan, although the latter has expressed an interest in such an agreement. Uzbekistan's MOUs with individual U.S. law enforcement bodies are mostly dormant as are its MOUs on cooperation in countering money laundering with 21 countries.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The frequent turnover of staff, poor communication among agencies as well as with the financial sector, and the inability or reluctance of law enforcement to conduct investigations hinder the effective implementation of AML/CFT policies. The government's reluctance to share information related to investigations and prosecutions of AML/CFT crimes limits meaningful cooperation with other countries, though the government remains interested in receiving technical training from international donors.

Venezuela

OVERVIEW

Venezuela is characterized by rampant illicit financial activity and endemic public corruption, which continued to worsen throughout 2020. Illegitimate president Nicolás Maduro and his regime rely on illicit activities – money laundering, drug trafficking, illegal mining, fraud, sanctions evasion, and public corruption – to help fund their illegitimate rule.

Venezuela's proximity to drug-producing countries and its status as a significant drug transit country, combined with nonexistent AML supervision, enforcement, and international cooperation, make for a jurisdiction riddled with pervasive money laundering and financial crimes. The economy remains deeply unstable and suffers from periods of severe hyperinflation. The effective dollarization, in practice, of large swaths of the economy raises concerns about the source of those dollars and who has access to them. Liberalizing the use of U.S. dollars in the Venezuelan economy, something which for years had been prohibited, is seen, for now, as the most expedient means of combating currency depreciation.

Ongoing U.S. federal criminal court cases point to billions of dollars laundered and embezzled by regime officials, with several cases advancing in 2020. On March 26, 2020, U.S. federal indictments were unsealed against Maduro and 15 other regime officials for narco-terrorism and corruption. Among these officials, regime supreme court president Maikel Moreno was charged with millions of dollars in money laundering. In a separate indictment unsealed that same day, regime economic vice president Tareck El Aissami and superintendent of cryptocurrency Joselit Ramirez were charged with evasion of sanctions and money laundering. The Department of State Rewards for Justice program issued awards for information pertaining to Maduro (\$15 million), El Aissami (\$10 million), Moreno (\$5 million), and Ramirez (\$5 million), and several other key regime officials. El Aissami was designated pursuant to the Foreign Narcotics Kingpin Designation Act in 2017.

There have been no improvements since FinCEN's 2019 *Updated Advisory on Widespread Public Corruption in Venezuela*, which states the illegitimate Maduro regime engaged in massive corruption through state-owned enterprises and offshore third parties, contributing to the dire humanitarian situation in Venezuela. FinCEN continues to assess that all Venezuelan regime-controlled agencies and bodies appear vulnerable to public corruption, money laundering, and other financial crimes, and the illegitimate Maduro regime uses its control of the economy to generate significant wealth for senior political figures and associates. U.S. Presidential EO 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, government contracts, and to a lesser extent, through commercial banks, gaming, real estate, agriculture, livestock, and securities. TBML remains common and profitable. Press reporting indicates hundreds of millions of dollars of gold and other metals were stolen from Venezuelan reserves and shipped to third countries in an attempt to skirt U.S. financial sanctions. A robust black market continues to function in the porous border regions with Colombia, and to some extent Brazil, via the smuggling of commodities, including food staples and gas.

KEY AML LAWS AND REGULATIONS

The 2012 *Organic Law Against Organized Crime and Financing of Terrorism*, as revised in 2014, lacks important mechanisms to combat domestic criminal organizations, as it excludes the state and its companies from the scope of investigations. The Maduro regime used AML and anticorruption laws as tools to suppress and intimidate political opposition, the private sector, and NGOs – including those that provide humanitarian assistance.

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

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Maduro regime entities responsible for combating money laundering and corruption are ineffective and lack political will. Their technical capacity and willingness to address financial crimes remain deeply inadequate. Further, regime authorities are complicit in financial crime. A politicized judicial system further compromises the legal system's effectiveness and impartiality.

Venezuela's FIU, the National Financial Intelligence Unit (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. FinCEN suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of shared information. The suspension remains in effect until FinCEN has assurances its information will be protected. The UNIF should operate autonomously, independent of undue influence.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Venezuela's foreign exchange system that allocates foreign exchange to the private sector remains an opaque system subject to manipulation by connected insiders. The illegitimate Maduro regime maintains many off-budget accounts in foreign currencies that lack transparency and oversight, making them vulnerable to corruption. For example, virtually all U.S. dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Vietnam

OVERVIEW

Vietnam made minimal progress in reducing the risks of money laundering during 2020. 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 AML regime.

Vietnam has made some improvements, including the issuance of several decrees and circulars that clarify how ministries should implement preexisting AML legislation. The State Bank of Vietnam (SBV) provided some training to relevant ministries on these new regulations. Nevertheless, more needs to be done. The Vietnamese government should prioritize the development of overall AML capabilities; improve coordination among 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. While Vietnam continues to have issues regarding the provenance of cash inflows, there is no indication financial institutions in Vietnam engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States.

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 also represent a vulnerability to TBML.

In 2018, Vietnam granted its first pilot licenses to local casinos. Currently, Vietnam has eight licensed casinos; all but one only 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 AML LAWS AND REGULATIONS

In November 2019, the prime minister issued *Decree 87*, requiring any entity providing payment services to implement the same AML measures required of banks. SBV's *Circular 20*, issued concurrently with *Decree 87*, states any person entering or departing Vietnam with foreign or domestic currency, gems, or precious metals must have documentation proving lawful origins; the decree does not indicate a threshold for when documentation is required. In July 2020, SBV hosted an online course to train other agencies on how to implement these directives.

Vietnam does not have an extradition treaty or MLAT 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 (CMAA), a legally binding information-sharing mechanism to facilitate the prevention, detection, and investigation of customs offenses, entered into force on May 20, 2020. While the CMAA does not directly address money laundering, it enhances Vietnam's ability to prevent illegal transshipment of goods and other contraband that could be used to launder money and facilitates the exchange of investigative information with appropriate U.S. authorities.

Vietnam is a member of the APG, a FATF-style regional body. Vietnam's most recent MER is available at: <http://www.apgml.org/includes/handlers/get-document.ashx?d=68a28c62-1ebe-41f7-8af6-e52ead79150c>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

While Vietnam's laws comply with some international best practices on AML, the government needs to improve overall operational effectiveness by increasing coordination among ministries and communication with banks. 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 KYC 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 FIU is not a member of the Egmont Group.

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 that interagency coordination requires signed MOUs, impedes whole-of-government efforts. A lack of resources hinders parallel money laundering investigations during predicate crime investigations. Agencies are slow to change operating practices, and law enforcement entities often lack the capability to perform financial investigations.

Vietnam has a National AML/CFT Coordinating Committee and a national AML/CFT action plan for 2015-2020, but the government has not drafted a plan for the years beyond 2020. During 2020, Vietnam investigated 28 people, all connected to one overall racketeering case, for money laundering offenses, but has not yet made a determination on prosecution.

